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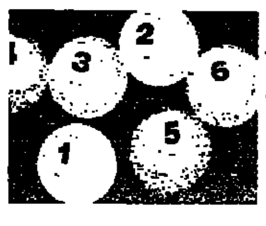

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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY SEPTEMBER 26 1994 — D8523A

Haiti leadership meets US officers after gun deaths

Haiti's military leadership met US officers after the first deadly conflict since US troops landed a week ago left a reported 10 Haitians dead and a US sailor slightly wounded in the northern city of Cap Haitien. President Bill Clinton, who will address the United Nations General Assembly today, said he regretted any loss of life but warned that US troops would continue to respond to hostile action against them. Page 16

Fashion houses in corruption probe: The name of Giorgio Armani has now been added to a growing list of fashion designers who have fallen foul of an inquiry by Milan anti-corruption magistrates into pay-offs to the Guardia di Finanza, Italy's financial police. Page 16

Lufthansa, German national airline, plans to reduce the the group's long-term net debt by nearly DM3bn ($1.9bn) by 1997 as part of its overall restructuring and financial recovery. Page 17

NatWest set to bid for Irish TSB: National Westminster Bank is likely to be allowed to make an I£110m ($173.8m) bid for TSB Bank in the Republic of Ireland as part of an effort by the Irish government to create a "third force" in the banking sector to rival Allied Irish Banks and Bank of Ireland. Page 17

Hiscox Group, Lloyd's agency, is to seek a stock market listing for its "Dedicated" investment fund, which provides corporate capital exclusively to its four syndicates. Page 17

Adams begins two-week tour of US:

Sinn Féin leader Gerry Adams (left) began a tour of the US aimed at building support for a peace settlement in Northern Ireland. Speaking in Boston, Mr Adams said Sinn Féin, the Irish Republican Army's political wing, would consider a coalition government with Britain. His two-week tour will also take him to Hartford, Detroit, Cleveland, New York, Philadelphia, Washington, San Francisco and Los Angeles.

Euro-funds sought for rail link: Britain has launched a belated attempt to obtain priority status for the £500m ($790m) West Coast mainline rail link so that it can receive funding from the European Union. Page 7

Ukraine needs $1bn for reforms: Ukraine will need nearly $1bn in foreign assistance this year to implement radical economic reforms, according to senior Ukrainian officials. Page 3

N Korean talks make little headway: US negotiators admitted that talks with North Korea on its nuclear facilities were making little headway, as Pyongyang repeated that it would not accept international inspection of two suspect nuclear sites and warned that US military exercises were "provocations". Page 6

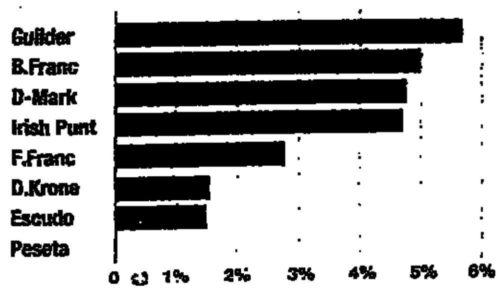
Major and Yeltsin discuss peace-keeping: John Major, UK prime minister, and President Boris Yeltsin of Russia reviewed a broad range of peace-keeping operations, with particular emphasis on Bosnia, during the final day of the president's visit to Britain. Page 7

Asean in disarray over free trade: The six members of the Association of South-east Asian Nations are in unusual disarray over a proposal to turn the Asia-Pacific Economic Co-operation group into a free-trade zone by 2020. Page 6

US-Japan trade: US and Japanese officials are heading into the final week of trade talks with at least partial agreement in sight after 15 months of fruitless negotiations. Page 6

European Monetary System:
Currencies, Page 29

EMS: Grid September 23, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Sixteen injured in lifeboat accident: Sixteen crew were injured when a ferry lifeboat plunged 20 feet into the water during a safety drill. The British crew of the P&O European Ferries' Pride of Hampshire had been carrying out a routine lifeboat drill in the French port of Cherbourg.

Hill closes on Schumacher: UK racing driver Damon Hill moved to within one point of Formula One championship leader Michael Schumacher by winning the Portuguese Grand Prix in a Williams-Renault. Scotland's David Coulthard, also in a Williams-Renault, was second. Germany's Schumacher has now completed a two-race ban and will be available for the last three events of the season.

Germans defend EU against the Polish gnome

Cheap manufacturers say free trade stops at bottom of the garden

By Judy Dempsey in Berlin

Mr Stanislaw Sawicki says he no longer understands the meaning of free trade.

"All I want to do is to sell my garden gnomes. But the Germans will not allow them into the country," he said outside his small factory. "If the European Union means anything at all, it should be about free trade. Our gnomes represent many of the things that are wrong with the EU."

Two years ago, Mr Sawicki, like other budding entrepreneurs in Nowa Sól, a small Polish town 80km from the border, decided to start manufacturing garden gnomes for the German market.

"The Germans loved our gnomes. They were just like the German ones, and they were much, much, cheaper. Here was a real chance for competition," he explained.

Business was brisk. Mr Sawicki and his staff of six were making 4,800 plaster and 2,000 plastic gnomes a month. "We would just go across the border and sell them . . . We were selling the big gypsum gnomes, which are 75cm high, for about DM13 ($8.40) and the plastic ones for about DM24. Normally, the German-made gnomes cost over DM100."

Then things started to go wrong. "One day, the German customs officials would not let my gnomes cross the border. They said we were, well, I suppose pirating the German design," said Mr Sawicki. "But what is it all about? Business is business. The German gnome manufacturers are just afraid of competition."

German customs officials, who since unification are spending a great deal of time trying to prevent counterfeit goods entering the country from eastern Europe, say they are simply applying the law to the Polish gnomes.

Mr Gerd Grau, a senior federal customs official responsible for the eastern German state of Brandenburg which adjoins Poland, said his staff were trying to stem the smuggling of pirated goods into Germany.

"German designs, and other labels, whether they relate to clothes, sportwear, perfume, or tape cassettes, are being copied and produced very cheaply in eastern Europe and making their way into Germany - garden gnomes included. I'll show you what I mean," he said.

Mr Grau took out a large file containing photographs of garden gnomes. "You see these gnomes. These are authentic German gnomes. If any Pole tries to bring an exact replica of any of these designs across the border, we cannot allow them into the country."

Polish gnome manufacturers

Continued on Page 16

UK suggests IMF sells gold to aid poor nations

By Philip Coggan, Economics Correspondent

UK debt relief plan goes for gold ......Page 4
Editorial Comment ......Page 15

The International Monetary Fund should sell some of its gold reserves to help poor countries, Mr Kenneth Clarke, the UK chancellor of the exchequer, will propose tomorrow.

Mr Clarke will tell the finance ministers of the Commonwealth countries at their meeting in Malta that his plan would benefit heavily-indebted countries trying to reform their economies.

His plan goes further than the so-called Trinidad terms, which were intended to reduce the burden of debts owed by poor countries to other governments. The new proposals would help those countries that owe large sums to international institutions such as the International Monetary Fund and World Bank. Such debt is not covered by the Trinidad terms.

Mr Clarke's suggestion that the IMF should sell part of its gold reserves to finance the scheme is likely to prove controversial.

His plan would benefit indebted countries which are complying with IMF programmes for the "structural adjustment" of their economies. The countries which Mr Clarke thinks are most likely to benefit include Guyana, Honduras, Kenya, Laos, Mozambique, Sierra Leone and Uganda.

Mr Clarke will call for the IMF to increase its enhanced structural adjustment facility, which provides concessional loans to poor countries, and improve the terms on which such concessional loans are made. The World Bank would also extend its concessional lending programme. The aim would be to reduce interest payments on debt to a low level and extend the period required for repayment.

The UK believes the IMF would need to sell less than 10 per cent of its gold reserves, currently worth about $40bn, to finance the scheme. Sales would be spread out over several years and could be managed so as not to disrupt the gold market.

Persuading the IMF to sell part of its gold might prove difficult, but the UK feels that too much of the fund's reserves are held as

Continued on Page 16

Coalition partner heads for clear majority ■ FDP suffers setback

Boost for Kohl as CSU nears Bavaria poll win

By Andrew Fisher in Munich and Michael Lindemann in Bonn

Bavaria's ruling Christian Social Union, which is Chancellor Helmut Kohl's closest ally in the German coalition government, was last night heading for an absolute majority in the last state election before the federal poll on October 16.

The better-than-expected CSU result will give a boost to Mr Kohl's re-election chances. However, the Free Democratic party, the junior partner in Mr Kohl's government, suffered another setback; exit polls reported on German television predicted that – as in other elections this year – it would not gain the 5 per cent needed for a place in the state parliament.

The CSU, the more conservative sister party of Chancellor Kohl's Christian Democratic Union (CDU), was expected to score between 52.8 and 54 per cent according to the polls.

Mr Theo Waigel, the CSU party leader and finance minister in Bonn, said: "I am very satisfied. We can be very pleased with this result." Mr Edmund Stoiber, the Bavarian premier, said: "This is good support for Kohl and Waigel."

The opposition Social Democratic party (SPD), appeared to have failed to make the breakthrough it hoped for, with forecasts of between 30 and 31.5 per cent. The expected result for the party was, however, a substantial recovery from the 26 per cent it polled at the last state elections four years ago.

According to the exit polls, the left wing Green party was expected to return to the state legislature with around 5.5 per cent, but the far-right Republican party looked unlikely to get more than 3 per cent, down from 4.9 per cent four years ago.

The result is an endorsement of Mr Stoiber, who has had to work hard to breathe life into a party which has been battered by a series of corruption scandals in the last 18 months. It means his party has won an absolute majority in the state legislature for the ninth time running.

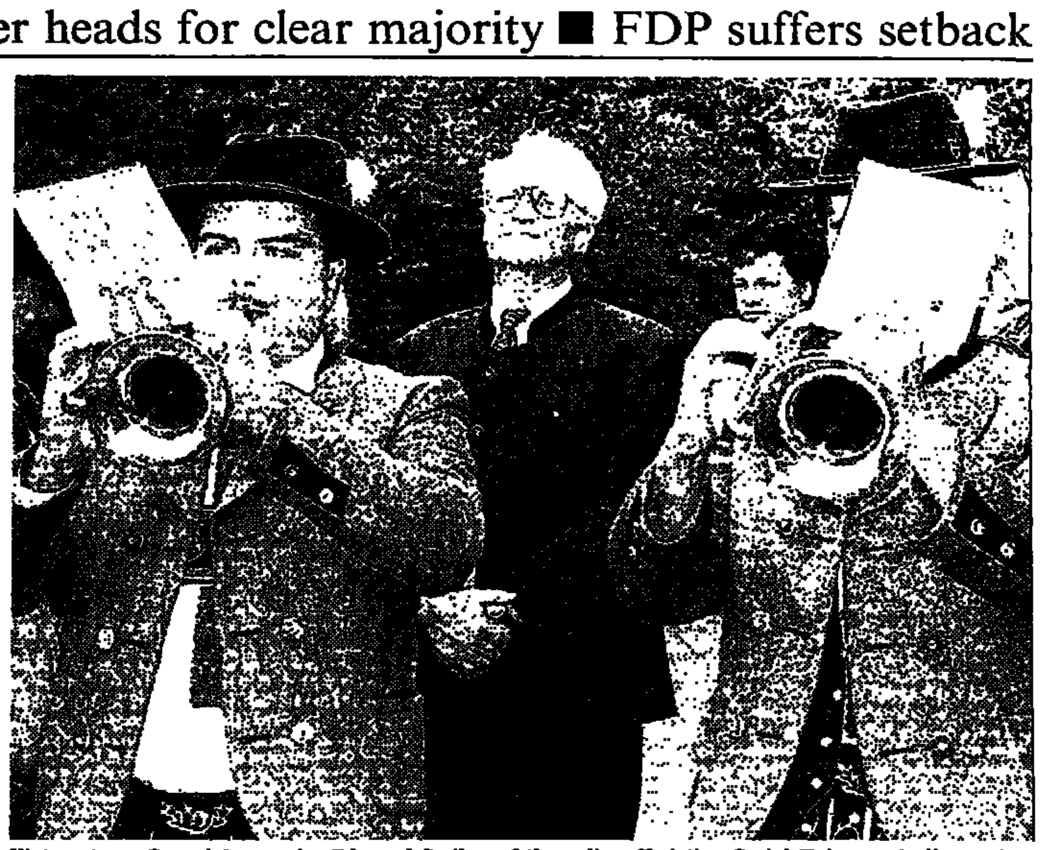
The SPD is likely to argue that it has substantially improved its position, but will nevertheless be disappointed at failing to deny the CSU its absolute majority. The SPD has never won more than 36 per cent in Bavaria, the most conservative of Germany's 16 Länder.

Although the party began the year with promising results in opinion polls and Mrs Renate Schmidt, the SPD leader in Bavaria, fought a spirited campaign, voters returned to their traditional allegiances in a relatively high turnout.

Polls indicated that around 70 per cent of the 8.7m eligible Bavarians had voted, about 4 per cent more than four years ago, contradicting suggestions that voters had become apathetic.

The outcome for the far-right Republicans in the German state in which their support has traditionally been strongest is a severe reverse, and confirms that they are unlikely to get into the German Bundestag at the forthcoming general election.

Kohl beams from on high. Page 3



Victory tune: Bavaria's premier Edmund Stoiber of the ruling Christian Social Union party listens to a traditional brass band after voting yesterday in his home town of Wolfratshausen near Munich Reuter

PepsiCo sees $100m purchasing savings

By Diane Summers, Marketing Correspondent

PepsiCo, the US beverage, snacks and restaurant business, hopes to save $100m a year in its rapidly-expanding European operations by centralising the purchase of services and materials, including TV advertising, sugar, flour and packaging materials.

Heads of Pepsi-Cola, Pizza Hut, KFC (formerly Kentucky Fried Chicken) and the company's snack food division have been meeting over the last year to identify which items they purchase in common. The company is hoping the savings, which would carve about 5 per cent off PepsiCo's $2bn costs in Europe, will be in place in a year.

As part of the same exercise, the company has launched a drive to persuade its trade customers, including leisure park operators and cinema chains, to buy the full range of PepsiCo products and services. It recently flew 600 trade customers from eastern and western Europe to Ibiza for a weekend of presentations and entertainment.

The company wants the differ-

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Salinas sets out claim to lead WTO

By Stephen Fidler, Latin America Editor, in London

Trade winds that bode only good ......Page 14

President Carlos Salinas of Mexico today launches his public campaign to become head of the proposed World Trade Organisation with a call for governments to intensify efforts to ratify the Uruguay Round trade agreement.

The agreement, which took seven years of negotiations to achieve, risks becoming a footnote to history if it is not ratified by the year-end, he writes in today's Financial Times.

Of the 123 countries that signed the accord, nearly 100 have yet to complete the internal processes necessary for ratification. "Although the deadline is three months away, it is disturbing that the pace appears slow in a number of capitals. Efforts to solve any outstanding problems they are experiencing should be intensified."

Mr Salinas is one of two leading candidates to head the WTO, which is expected to succeed the General Agreement on Tariffs and Trade early next year.

The new body will have a more formal structure, stronger disciplinary powers and probably a more widely ranging role than its 47-year-old predecessor.

The appointee will be chosen by consensus later in the autumn. The other main candidate is Mr Renato Ruggiero, a former Italian trade minister, who is being backed by the EU.

Mr Salinas, who is expected to receive the support of the US, says the new organisation must meet three conditions. It has to be:

- Representative of world trade. The 20 countries, including Russia and the Ukraine, seeking admission to the world trading system should be admitted promptly;
- A reliable institution for its members, which requires that all governments be committed to its rules and be engaged in the WTO at the highest level;
- Responsive to the evolving needs of the international economy.

Mr Salinas argues that as trading relationships became more complex it is essential that the WTO be technically effective.

"It should dedicate itself not to offering solutions – for this is up to member governments – but to identifying options, to supporting bridge-building efforts," he says.

The statement appears designed, among other things, to underline the importance of a high-level individual to head the organisation.

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh16	Singapore	S$4.30
Bulgaria	Lw80.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs50	Nigeria	Naira70	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mainland)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

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NEWS: EUROPE

Berlusconi set for showdown talks with unions on pensions

By Robert Graham in Rome

The Italian government will today make a third and possibly final attempt to convince the sceptical trade union movement to accept proposals for pension reform.

The proposals, already watered down last week to meet union objections, are central in the preparation of the 1995 budget, which has to be presented to parliament by Friday.

The centre-right coalition government's credibility with financial markets hangs on the final form of the budget.

The lira has been under pressure since early August because of fears that Mr Silvio Berlusconi, the prime minister, will lack the leadership to push through a convincing austerity package.

Before meeting trade union leaders, Mr Berlusconi has scheduled a summit of his coalition partners.

This is intended to co-ordinate the government's final position; but Mr Berlusconi must also resolve the increasingly thorny problem of the future of the RAI, the state broadcasting organisation.

Mr Umberto Bossi, the leader of the populist Northern League, is committed to introducing legislation to overturn recent government appointments to the new management and editorial control of the RAI.

The League has forged an alliance with the opposition, which is worried that the government now controls both public and commercial television.

A League-opposition alliance would have a parliamentary majority and the government could be completely humiliated.

Over the weekend President Oscar Luigi Scalfaro gave implicit backing to the League and opposition protests, and warned that television must be run with an even hand in the interest of all Italians.

This continued guerrilla activity against Mr Berlusconi from among his own coalition partners risks impinging on the preparation of the budget.

Matters are further complicated by a report, which is due out this week, by three legal experts whom Mr Berlusconi has asked to draw up proposals to avoid a conflict of interest between his ownership of his Fininvest media empire and his role as prime minister.

For the 1995 budget, the government is seeking to find up to L50,000bn (£20.3bn) in extra revenues and spending cuts to hold the public sector deficit in 1995 to below 9 per cent of gross domestic product.

Under pressure from the trade unions, the government has reduced its emphasis on spending cuts and placed more importance on revenues.

But the precise amount to be found from cuts in pension benefits still has to be negotiated.

The treasury originally sought L8,000bn but last week this figure appeared increasingly unrealistic.

The unions are threatening a general strike if the government is unable to bridge the gap in their positions.

On Saturday, Mr Giovanni Agnelli, the head of Fiat and recognised spokesman for Italian business opinion, hosted an informal dinner for Mr Berlusconi and industrialists.

Though the occasion was reportedly amicable, it was nevertheless a clear indication of the industrialists' growing impatience at the series of own-goals committed by the five month-old Berlusconi government.

Mr Agnelli is understood to have conveyed the industrialists' fears if the budget fails to convince financial markets.

Mr Jacques Chirac (left) leader of France's ruling RPR Gaullist party, has invited Prime Minister Edouard Balladur to run as number two on his presidential ticket next year, in an attempt to avoid fratricide between the two Gaullists, writes David Buchan in Paris. With no vice-presidential slot in France, Mr Balladur would be designated as prime minister again if Mr Chirac won. But Mr Balladur appears to have no intention of playing second fiddle to his party leader. According to an IFOP poll in yesterday's Journal du Dimanche, Mr Balladur's popularity has *dropped sharply, but he still has 52 per cent support – a high* rating for a French prime minister, and he continues to win higher ratings than Mr Chirac.

Germany passes law to compensate property owners

By Judy Dempsey in Berlin

The Bundesrat, upper house of Germany's parliament, has passed a law to compensate former property owners in eastern Germany. The law, which will speed up investment decisions in the east, follows three years of wrangling over terms and funding.

Under the unification treaty, which laid out the settlement of property rights in eastern Germany, owners are entitled to full compensation or restitution for property confiscated between 1933 and 1945 by the Nazis, or by communists between 1949 and 1990.

However, the unification treaty did not say how claimants should be compensated, at what level, or how this compensation should be financed, issues which have been the subject of lengthy disputes in the German parliament.

The law provides compensation based on the valuation of land dating back to 1935. However, assessment will depend on the type of property and whether it was owned or leased, and a different system will apply for land. For example, those who had owned family houses and small businesses will receive compensation, but the 1935 land valuation will be multiplied by seven, the valuation for those who had rented property will be multipled by 4.8, while the valuation for those who owned land will be multiplied 20-fold.

The former owners will receive bonds redeemable in 2004.

In addition to those whose land was confiscated by the Nazis and the communists, the Bundesrat also agreed to grant concessions to those property owners whose land was expropriated by the Soviet Union which administered eastern Germany between 1945 and 1949, but who have no right to either compensation or restitution. These former owners, who owned large estates in eastern Germany, will now be entitled to buy back a percentage of their property below the market price, and they will be able to rent their property, again at a discount.

A further DM3.4bn has been put aside for the 110,000 "settlers", those Germans who were expelled, or forced to flee eastern Europe but who settled permanently in eastern Germany after the second world war. In addition, DM2bn has been allocated to victims of the Nazis in eastern Germany.

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EUROPEAN NEWS DIGEST

Germans press for wider EU

A weekend meeting between European Union and east European ministers highlighted German ambitions to advance the cause of EU enlargement to the east during its six-month presidency of the union. While ministers from Poland, Hungary, Slovakia, the Czech Republic, Romania and Bulgaria remained enthusiastic about preparations for inclusion in the single market, they also outlined the difficulties of bringing their economies into line with richer neighbours.

The challenge facing the six countries with associate membership is to set up appropriate legal and institutional frameworks and to harmonise legislation on competition and state aid. The commission plans to produce a White Paper next year establishing a programme for the associated countries to follow for adjusting their economies to the obligations of the internal market. The east European ministers said the greatest difficulties lay in competition policy. Harmonisation of rules on intellectual property rights was also singled out along with the introduction of technical standards on food, health products and the environment. A German official said the eastern European countries were unlikely to be ready for membership of the EU before the end of the century. The process of harmonising legal frameworks would probably take 10-15 years, he added, with Hungary expected to lead the way. *Emma Tucker, Frankfurt an der Oder*

Fast train project approved

The Bundesrat, upper house of the German parliament, has approved the Transrapid magnetic levitation train between Berlin and Hamburg after a long dispute which threatened to scupper the project. The Bundestag, or lower house, passed the legislation earlier this year, only to have it thrown out during the first reading in the Bundesrat. Although several Länder controlled by the opposition Social Democratic Party (SPD) voted against the bill, the majority backed the amended legislation which provides them with more extensive rights during the planning process. However, the SPD may set back the project if the party wins the federal elections on October 16.

With a maximum speed of 450kph (280mph), the Transrapid will race between the two city centres, providing an alternative to air travel, according to Thyssen Industrie, the company which has developed the system. The federal government will spend around DM5.6bn (£2.3bn) to build the track cities and a private consortium will operate the service. Total costs are expected to reach DM10bn and the service is expected to open by 2005. *Michael Lindemann, Bonn*

Russia attracts investors

Russia is enjoying an upturn in foreign investment attracted by shares in Russian companies, according to Mr Anatoly Chubais, Russia's deputy prime minister for privatisation. He said share prices were soaring following the end of the voucher auctions in June. The second phase of privatisation – the selling of company stock for cash, with fewer privileges for the workers – is now under way.

Mr Chubais forecast that foreign investment would be running at $1bn a month by the end of this year and would continue to grow in 1995. It had totalled over $2bn in the first six months of the year, and was growing by around 40 per cent a month. Brokers have also reported a growth in portfolio investments in Russia this year. Stocks in sectors like energy, telecommunications and other utilities have commanded high prices as especially US hedge funds and wealthy individuals scramble for holdings in the Russian market. *John Lloyd, Moscow.*

Repsol offering postponed

Mr Pedro Solbes, Spain's economy minister, said he was not expecting any additional revenue from privatisations before the end of the year, due to market conditions. However, the minister has budgeted for income totalling Pta300bn (£1.5bn) in 1995 through the disposal of government-held equity. Mr Solbes' disclosures suggests that Repsol, the government-controlled oil, gas and chemicals group, is now likely to postpone for several months an international share offering which it had planned for the last quarter of this year.

Repsol, which is 41 per cent government-owned and has a broad international investor base, said it would consult its advisers, Goldman Sachs of the US, and Spain's Banco Bilbao Vizcaya. The two banks co-ordinated an offer of 13 per cent of the government's equity in the energy group last year which realised $866m. Repsol said in May that it hoped to raise between $1.4bn and $2.2bn in a further offering before the end of this year. *Tom Burns, Madrid*

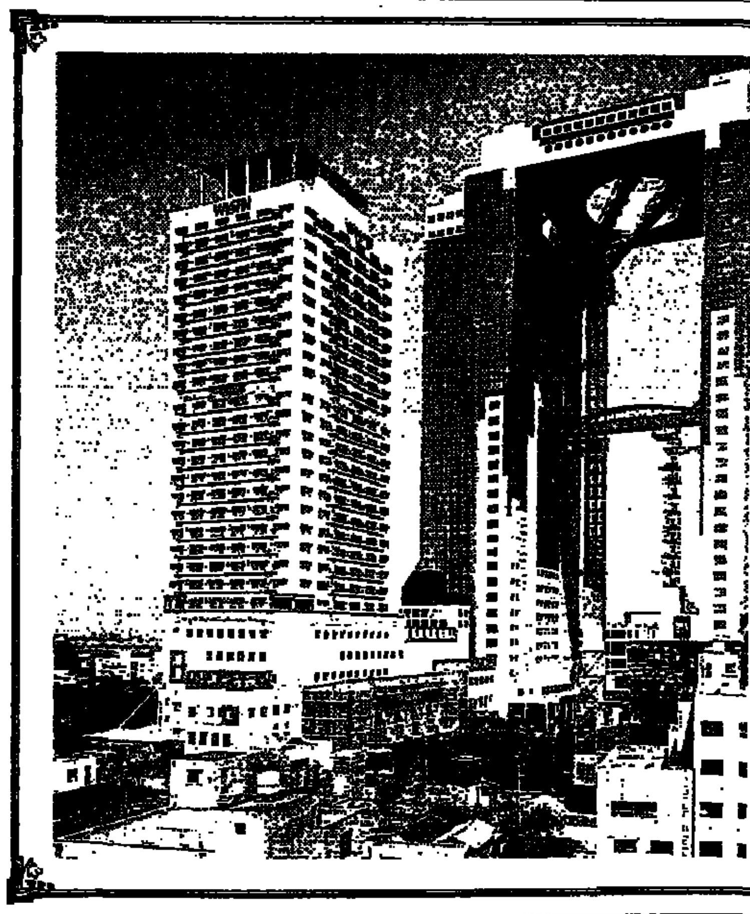
Slovaks warm to privatisation

More than half a million people have registered to buy shares through Slovakia's voucher privatisation programme since its launch three weeks ago by a government which hopes privatisation will prove a vote winner at next weekend's general elections. The Slovak coalition parties hope that this privatisation will take votes away from Mr Vladimir Meciar, the populist leader of the opposition, who has threatened to scrap the programme if his Movement for a Democratic Slovakia wins the election.

Fifty thousand books of vouchers, each valued at Kcs1,000 (£20.50), are being sold every day, the privatisation minister, Mr Milan Janičina, said recently. Three quarters of Slovakia's 5.3m people are eligible to take part in the programme which involves the sale of stakes in 136 state-owned companies with a total value of Kcs44.8bn. More are expected to be included before the elections. However, the government's original target of approving Kcs80bn of assets for voucher privatisation before the election will not be met.

Vincent Boland, Bratislava

CONTRACTS & TENDERS



NEWS: EUROPE

CENTRE STAGE: Kohl campaigns before an election poster Reuter

Kohl beams from on high

'Feelgood' chancellor radiates poll confidence, writes **Quentin Peel**

"The Chancellor's coming," the posters proclaim, and the faithful are gathered in eager expectation in their spanking modern tennis stadium in Halle, Westphalia, modelled on the Centre Court at Wimbledon. Three brass bands take it in turns to warm up the crowd.

Suddenly he's there, surging up the aisle surrounded by a phalanx of sober-suited young men, to the thoroughly inappropriate martial strains of "Prussia's Glory". Mr Helmut Kohl, the beefy provincial politician from the west German Rhineland-Palatinate is a decidedly un-Prussian figure.

Here is the man who is both messenger and message of the ruling German coalition and his own Christian Democratic Union (CDU). His very bulk and reputation are the issues at stake in the forthcoming general election on October 16.

All his party posters have his beaming picture, radiating security and stability, with the slogan: "Germany is the issue," blatantly exploiting his image as the personification of material well-being, solid citizenship and German unification.

Mr Kohl is the ultimate exponent of the "feelgood factor", displaying confidence in the future, with a good dose of stern statesmanship to temper it. Only nine months after the polls wrote him off in public popularity, the Chancellor is back on a roll which looks likely to carry him to a fourth term in government.

He no longer really needs to attack his opponents in the Social Democratic party (SPD), Mr Rudolf Scharping and his lieutenants, Mr Oskar Lafontaine and Mr Gerhard Schröder. Yet his political instincts are too acute to resist it.

In this heartland of west German prosperity, where the tennis stadium itself has been built merely to satisfy the whim of a local industrialist who wanted a Wimbledon in his home town, his top theme goes down well. He is determined to tar the SPD with the brush of being soft on Communism, in spite of the end of the Cold War. His target is the Party of Democratic Socialism (PDS), reformed rump of the former East German communist party, which he denounces as "red-painted fascists". And the message is that the SPD can only hope to unseat him in Bonn with the tacit support of those communists.

As for Social Democrats, they are a "joyless bunch", he declares. "You don't have to sneak off to the cellar to have a good laugh." This is the man of the people who made it, the international statesman from Oggersheim who strides the world stage with the likes of Bill Clinton and Boris Yeltsin and yet whose homely rhetoric still belongs to the provinces.

But the real message is about the broad sweep of history, not the minor details of party politics. It is about German unification, and his leading part in achieving it, about the need today to unite the country economically and psychologically, rather than simply geographically.

It is also about Germany's role in the international community and his passionate commitment to an integrated, united Europe as the essential counterpart to German unification. It is a theme which might not prove too popular to Germans who worry about the future loss of the D-Mark in a single European currency, but this is Chancellor Kohl the statesman: he puts the European Union right up front in his vision of the world.

And it is about German competitiveness, and the need to carry on belt-tightening in the German economy to face up to the new competitors, not just in Asia, but just over the border in Czechoslovakia.

It is a speech that runs to 90 minutes, without a note, and he's delivered it three times since noon, but electioneering is what Helmut Kohl does best: he thrives on the buzz of the auditorium and glad-handing in the crowd. He knows there are still a tough three weeks ahead, but he senses the tide is with him. He can afford to play the world statesman and leave party politicking to the rest.

Libération tries to break free of revenue decline

John Ridding examines the spate of relaunches in the French press

French newspaper vendors will have to clear some extra space and strengthen their stalls this morning. Libération, the left-leaning daily, is launching a radical redesign, with a new typeface, a separate metro section, colour illustrations, and approximately double its usual 40 or so pages.

Libé III, as it has been dubbed in reference to the newspaper's third redesign since its first edition in 1973, has ambitious objectives. "It is a sort of a revolution as far as the French press is concerned," claims a spokesman for the paper. "The aim is to broaden the appeal of the newspaper and increase the number of readers."

Libération is not alone. Its redesign is part of a broader upheaval in the French newspaper industry. The staid Le Monde is preparing an ambitious redesign, to be unveiled at the beginning of next year, as is Infomatin, the jazzy tabloid which heralded the upheaval with its cut-price, colourful format when launched in January. Regional newspapers, such as Ouest-France have also been back to the drawing board this year to sharpen their presentation.

In some cases, such as Le Monde, the redesigns coincide with the 50th anniversaries of their formation, which often followed the liberation of Paris in the second world war. For all, however, the motivation lies in a need to respond to the increased competition in the industry, depressed sales and reduced advertising revenue.

Sales of national dailies have contracted by more than 15 per cent over the past three years, while advertising income has suffered an even sharper decline. As a result, many newspapers have gone into the red. Le Monde suffered a loss of FFr44m (£5.3m) last year, compared with a profit of FFr6m in 1992, while Infomatin expects a deficit of about FFr40m this year. Others have fared still worse. Le Quotidien, for example, went into receivership this year. Libération has remained in profit, but admits its sales have stagnated over the past few years at about 170,000 copies a day.

Economic recovery promises some improvement in revenues, but the industry remains beset by deeper problems. A reform of the advertising laws under the previous Socialist government prompted a shift towards television. As a spokesman for Liberation points out, daily newspapers must also contend with a raft of weekly news magazines. "In France, these magazines are much more widely read than in other countries. It limits the readership for dailies." He said sales of Le Figaro, Le Monde and Libération, the principal national newspapers, were less than 1m copies.

Hence the relaunches. "What Libération and the others are trying to do is to create a new readership, to expand their market and break a vicious circle of declining readership and advertising expenditure" says a media analyst at a French merchant bank. He sees a trend towards more accessible presentation, broader coverage and the introduction of separate sections, as in the British press. At Le Monde, for example, Mr Jean Marie Colombani, the editor, promises a new format with easier access, and more contemporary and international coverage.

Such overhauls, however, are not cheap. Libération plans to invest more than FFr200m, of which it has so far raised about FFr75m. Although the national dailies have largely escaped a price war, the new formats amount to something similar. Libé III will cost the same FFr6 for twice as many pages. It is a gamble which raises the survival stakes across the industry.

Ukraine 'needs $1bn in aid to implement reforms'

By Chrystia Freeland in Kiev

Ukraine will need nearly $1bn in foreign assistance this year to implement radical economic reforms, according to senior Ukrainian officials. A high-level Ukrainian delegation, including possibly President Leonid Kuchma, is expected to attend the International Monetary Fund and World Bank meeting in Madrid this week to plead Ukraine's case.

On Friday, Ukrainian officials reached a preliminary agreement with the IMF on an economic reform programme which they say is the first step in a comprehensive package of reforms to be announced early next month. The agreement, the first since Ukraine announced its independence three years ago, and the economic programme being prepared by the government have helped convince western observers that Ukraine is on the verge of attempting its first serious leap into market reforms.

But Mr Roman Shpek, minister for the economy and leader of the Ukrainian side in negotiations with the IMF, said at the weekend that Ukraine will require $960m aid before the end of the year if it is to meet the IMF target of a budget deficit no higher than 10 per cent of GDP.

"Of course, the Ukrainian side must take the first step in market reforms, but we are ready to do so, and we hope that the west will respond," Mr Shpek said. "Now that we are ready to launch our reform programme, we are looking for a non-inflationary way to cover our budget deficit and this is where we hope that the west will help us."

Mr Shpek said Ukrainian leaders would ask the US to convert $200m earmarked for technical assistance projects in Ukraine into direct financial aid. He said another source of immediate financial assistance could be the IMF, which, if the Ukrainian deal is signed as expected this week, could provide a first tranche of $365m to Kiev soon.

Mr Shpek said Ukraine would turn to the Group of Seven industrial nations and Russia for an additional $400m.

He said the reform programme included radical price liberalisation, although some controls would remain on bread prices. The state-controlled exchange rate was to be unified with the free market rate, trade policy would be liberalised, the confiscatory tax regime overhauled and privatisation accelerated.

Mr Shpek predicted that the programme would cause inflation to jump to about 50 per cent a month, but it would then fall to 5 per cent a month.

Jubilation in Serbia as UN lifts some sanctions

By Laura Silber in Belgrade

Serbia's President Slobodan Milosevic is a happy man.

The UN decision to suspend some sanctions against his country has absolved him from the status of international pariah, and it may also have cleared the way for a final showdown with his erstwhile proteges, the Bosnian Serbs.

The 100-day moratorium on some of the UN's punitive measures does not mean that life will improve quickly for the ordinary Serbs, yet the jubilation in official circles is unmistakeable.

Belgrade's closely guided press proclaimed yesterday that "the world has changed its mind about Yugoslavia." "The blockade has broken," read a headline in Vecernje Novosti, the biggest circulation daily.

The immediate effect of the UN decision is to suspend the bans on direct flights, sporting and cultural exchanges with Serbia and Montenegro, the two remaining constituents of the Yugoslav federation.

Bosnian Serbs have promised to end a 10-day utilities blockade that has forced thousands to queue for water and scavenge for firewood in Sarajevo, a Bosnian government minister said, Reuter reports.

The UN move was approved as part of a twin strategy of tightening pressure on the Bosnian Serbs and rewarding Serbia for its apparent severance of links with its Bosnian cousins. In practice, few Serbs can afford air tickets, and formal culture virtually collapsed with the old Yugoslav state. As for sport, Yugoslavia is probably too late for the European football championship.

The most draconian sanctions – including the freezing of foreign bank accounts – remain in force, and the entire set of punitive measures could be reimposed if Yugoslavia openly resumes supplies to the Bosnian Serbs.

But the optimism in Belgrade reflects a feeling that in practice, the sanctions regime will be very difficult to reconstruct once the international community has started to dismantle it.

Russia is impatient for commercial links with Yugoslavia, as soon as the opportunity arises.

The Yugoslav national carrier JAT expects the first direct flights to link Belgrade to Russia and then Greece – both staunch friends of Serbia. Within weeks, there could be air links with a host of European cities. The lifting of sanctions was bitterly opposed by the Bosnian government, which insists that Serbia is still supplying Bosnian Serbs.

World Bank to boost new lending

By Peter Norman, Economics Editor

The World Bank expects to boost its new lending commitments to between $23bn and $25bn in its current financial year to the end of June 1995 after reporting a drop in its loans last year.

The drop in the combined commitments of the bank's two main divisions to $20.84bn in 1993/94 from $23.7bn the previous financial year reflected a shift in priorities, according to the bank's annual report published yesterday.

The bank provided fewer large scale "adjustment" loans in support of economic policy reform, instead switching efforts to lending for specific investments and sectors and raising the quality of its portfolio.

The bank disclosed that its main operating arm, the International Bank for Reconstruction and Development (IBRD) which finances lending to developing countries from borrowings on the world capital markets, experienced a net inflow of funds from borrowers last year.

The switch from net disbursements of $2.33bn in 1992/93 to a net inflow of $731m in 1993/94 reflected repayments of bank loans by several middle income developing countries.

The International Development Association, the bank's soft loan agency which grants loans on concessional terms to poor developing countries, raised net disbursements to $5.11bn from $4.58bn in 1992/93. Its commitments fell slightly, however, to $6.59bn from $6.75bn.

The World Bank's net income dropped to $1.05bn in the year to June 1994 from $1.13bn the previous year.

The news that IBRD net disbursements were negative last year is unlikely to please the bank's many critics. But Mr Geoffrey Lamb, the bank's London representative, said it was a consequence of the long term financial flows in the bank's business.

Presenting the report, he said the bank was putting greater emphasis on the implementation of programmes and the quality of its projects. "The pressure to lend in the bank has gone," he said.

China was the bank's biggest client in 1993/94 with approved borrowings of $3.07bn. It headed the list of borrowers from the IBRD and IDA. Mexico and Russia were the next biggest borrowers from the IBRD, while India and Bangladesh were the second and third biggest IDA borrowers.

The agricultural sector accounted for 18.8 per cent of new commitments by the Bank in the past fiscal year, followed by transportation infrastructure with 15.8 per cent. Lending for human resources development, which covers education, health, population, nutrition and social programmes, accounted for 15 per cent of loans and credits approved in the year, down from about 16 per cent the previous year.

The approval of fast disbursing loans in support of policy reform, dropped to 12 per cent of lending in fiscal 1994 from 17 per cent the previous year.

World Bank Operations ($m)

	1990	1991	1992	1993	*1994
IBRD					
Commitments	15,180	16,392	15,156	16,945	14,244
Disbursements	13,859	11,431	11,666	12,942	10,447
Net disbursements#	5,726	2,109	1,833	2,331	-731
Net income	1,046	1,200	1,645	1,130	1,051
IDA					
Commitments	5,549	6,293	6,550	6,751	6,592
Disbursements	3,931	4,549	4,765	4,947	5,532
Net disbursements	3,713	4,274	4,441	4,581	5,110

*fiscal years ending June 30. # amounts include disbursements, repayments and prepayments to/from all members, including third party repayments. Source: World Bank

UK relief plan goes for gold

By Peter Norman

British chancellors of the exchequer have become infrequent participants in the yearly conferences of Commonwealth finance ministers that precede the annual meetings of the International Monetary Fund and World Bank. But when they do make the effort, they usually have an initiative tucked away in their briefcases.

That was the case when Mr John Major, as chancellor, launched the "Trinidad Terms" for easing the burden of government-to-government debt owed by the poorest developing countries at the 1990 Commonwealth conference in Port of Spain, Trinidad.

It will be the case when Mr Kenneth Clarke, who flies today to this year's Commonwealth meeting in Malta, discloses plans to help a small group of heavily indebted countries unable to benefit from the Trinidad Terms because their debts are owed to institutions such as the IMF and World Bank.

The UK initiative is carefully structured in an attempt to gain the necessary 85 per cent support of the IMF membership. It owes a great deal to ideas put forward by Oxfam, the UK-based charity, of which his wife, Gillian, is an enthusiastic supporter.

Mr Clarke will propose that the IMF sell part of its holding of 103.4m fine ounces of gold and invest the proceeds. The income from the investment (which would be retained by the IMF in its reserves) would be used to subsidise the interest payments and ease the repayment schedules of the developing countries that are burdened with excessive borrowings from the Fund.

The countries named by Mr Clarke are Uganda, Honduras, Mozambique, Burundi, Kenya, Sierra Leone, Guyana and Laos. Other possible beneficiaries include Côte d'Ivoire, Ghana, Mali, Nicaragua and Tanzania.

The British plan envisages that the debts owed by these countries to the IMF should be serviced and paid on terms similar to those granted to developing countries through the IMF's enhanced structural adjustment facility (ESAF), a soft loan facility that has extended finance on concessional terms to 22 countries reforming their economies in line with IMF programmes.

With ESAF, debtor countries pay only 0.5 per cent interest on their borrowings, with repayment in 10 years with a 5½ year grace period. The chancellor will propose a longer term concessional window of perhaps 20 years for the countries in difficulty with their multilateral debts.

This would ease their burden greatly. A recent Oxfam report calculated that debt repayments to multilateral creditors such as the IMF by 19 severely indebted, low income countries account for 30 per cent of their debt service payments. Payments to the IMF, the report said, had outstripped the provision of new finance by some $2bn since the mid-1980s.

The UK proposal is designed to overcome many taboos that have so far prevented the provision of debt relief to borrowers from the IMF. The chancellor will not be calling for the write-off or rescheduling of multilateral debt. He will also stress his proposals should only apply to countries that have followed a sustained programme of economic reform under the IMF. Because the scheme would be financed by IMF gold sales, it would not be a burden on IMF member countries' budgets.

Nonetheless, the idea of the IMF selling some of its gold is controversial. The UK does not expect immediate acceptance of the scheme, believing it could take about two years to win the necessary support.

Gold sales, if they adversely affected the price on world markets, would hurt two leading producers - Russia and South Africa - which Britain is also very keen to help. But the Treasury believes that the IMF would need to sell less than 10 per cent of its gold to finance the plan. Such sales, worth about $4bn at current market prices, would be spread over several years.

It is unclear how much support the UK plan will command. The Group of Seven leading industrial nations began to discuss such matters at their July summit in Naples. In their communiqué, they issued a call "to explore ways to mobilise more effectively the existing resources of the international financial institutions to respond to the special needs of the... poorest most indebted countries."

Clarke: seeks help on debt

However, Mr Norman Lamont, the chancellor's predecessor, and US administrations at various times in recent years have drafted plans for IMF gold sales only to see them go nowhere. The IMF sold some of its gold in 1976 when the proceeds were used to set up a trust fund for developing countries that was the precursor of ESAF.

But the present IMF management has been hostile to further gold sales for fear that they would weaken the Fund's creditworthiness. Mr Michel Camdessus, IMF managing director, once described the IMF's gold as "the jewel of the family". Earlier this month, an IMF official, on a visit to London to prepare for next week's IMF annual meeting in Madrid, said that IMF gold sales "were not an issue".

SDR initiative to help poor

By Peter Norman

Joint UK-US plans to end a long dispute halting issue of new reserve assets by the International Monetary Fund will be designed to help poor developing nations as well as Russia and other former communist countries, Mr Kenneth Clarke, UK chancellor, said.

Mr Clarke, giving the first official confirmation of last Monday's Financial Times report of a UK-US initiative to allow the IMF to boost the official reserves of its member countries, said London and Washington would put forward plans for an "equity" allocation of special drawing rights (SDRs) at next week's IMF annual meeting in Madrid. This proposal, designed to strengthen the finances of 37 IMF members which have joined the fund since the last SDR issue in 1981, would be of particular benefit to Russia and many other former eastern bloc states.

The chancellor said Britain also wanted the poorest developing countries to benefit from the package. He said the US and UK did not agree with proposals from Mr Michel Camdessus, IMF managing director, for a general allocation of SDRs to all IMF members but they were prepared to suggest a "pro rata" allocation alongside an equity issue of SDRs.

This, it is hoped, would help secure the necessary 85 per cent support of the IMF membership for a change in the fund articles that would allow an equity allocation.

The pro rata allocation would give "reasonable allocations to some of the poorest countries", Mr Clarke said. It would lift IMF members' SDR holdings to "an agreed benchmark level, subject to every IMF member receiving a prescribed minimum allocation" as a percentage of the individual country's quota or shareholding in the fund.

The plans will be discussed by Group of Seven finance ministers on Saturday, where Germany, long an opponent of new SDRs, can be expected to give them an especially critical scrutiny.

Lebanon counts cost of civil war

By Mark Nicholson in Beirut

As many as 1m Lebanese nationals emigrated during the civil war years of 1975-1990, while 450,000 people fled fighting to become internal migrants during the period, according to the country's first official study into the demographic consequences of the war, published by the ministry of social affairs.

By the ministry's estimate, however, some 25 per cent of those who left Lebanon during the war, as many as 250,000 Lebanese, are expected to seek a return to their homeland by 1998. The study says 40,000 came home in 1992 and 1993 after the war and these numbers are likely to rise this year and next.

The figures were prepared for the recent international conference on population and development in Cairo, which Lebanon decided to boycott only days before its opening. However, many of the study's findings have been released in Beirut in the past week.

The Lebanese government says it considers attracting back the expatriates to be a priority. "We have lost the greatest part of the middle class in this country," Mr Riad Salame, the central bank governor, said in an interview this week. "Restoring this class is essential – the only resource Lebanon has is the skill and education of its people." While allowing that there are no precise figures for the war years, the research suggests that fully 7 per cent of the Lebanese population, which it estimated at between 2.2m and 2.6m excluding Palestinian refugees in the country, died during the conflict and 10 per cent were injured.

IMF confident of accord to raise financial resources

By George Graham in Washington

International Monetary Fund officials are confident that they will be able to finalise an agreement at their annual meeting in Madrid next week on a package of measures intended to boost the financial resources of the former communist economies and other less prosperous countries.

A senior IMF official said negotiations were still continuing, but some form of deal would be reached, including an allocation of special drawing rights, the IMF's own reserve asset, an increase in the amounts member governments can borrow, and an extension of the Systemic Transformation Facility, which lends money to countries making the shift from communism to the market economy with fewer of the IMF's traditional conditions.

"On all of that there are still brackets in our documents and a lot of uncertainties, except for one thing: there is a very strong wish to come to a constructive agreement in Madrid," the official said.

But there is still a wide gulf between the proposal of Mr Michel Camdessus, the IMF's managing director, for a general distribution of SDR36bn to all members, and a plan by the UK and the US for a more limited allocation of between SDR12bn and SDR16bn targeted at countries from eastern Europe and the former Soviet Union who have no SDRs because they joined the IMF since its last allocation in 1981. IMF officials said a SDR36bn allocation would mean $1bn more for Russia than the smaller allocation proposed by the UK and the US.

Mr Camdessus argues that the larger distribution is needed to finance the rapid expansion of the world trading system and make the SDR a significant reserve currency. But some of the industrialised countries, especially Germany, have argued that there is no shortage of liquidity and that a large injection of SDRs into the world monetary system could fuel inflation.

A senior IMF official said the US-UK proposal "goes a great distance in the right direction" but said that a SDR16bn allocation would still leave the SDR's role among the world's reserve assets in decline. In addition, a targeted allocation would need a change in the IMF's articles. This would require ratification by national parliaments, and could hold up the distribution for two or three years.

IMF officials said they expected the Interim Committee, a grouping of finance ministers that sets the IMF's policy direction, to direct a rethink of the way costs are divided. Because the administrative budget comes out of income from loans, the cost is entirely borne by borrower countries.

China rebukes Japan

China stepped up its efforts to isolate Taiwan yesterday when it issued a stern rebuke to Japan for its invitation to a senior Taiwanese official to attend the forthcoming Asian games in Hiroshima, writes Simon Holberton in Beijing.

A prominent commentary in the People's Daily, the mouthpiece of China's ruling Communist party, warned Tokyo that if it persisted in inviting Mr Hsu Li-Teh, vice-president of Taiwan's executive yuan (cabinet), then it would be solely responsibly for unspecified "serious consequences" in Sino-Japanese relations.

The commentary, which amounts to a demand that Japan immediately withdraw its invitation to Mr Hsu, represents an escalation in Beijing's determination to isolate the government in Taipei.

South Africa to raise rates

The South African Reserve Bank will raise its bank rate by a full percentage point today to 13 per cent, the first rise in South African interest rates since 1991, writes Mark Suzman in Johannesburg.

The decision has been criticised by several prominent businessmen who claim that the bank has acted prematurely and may damage the current economic upturn. The South African Chamber of Business has also warned that the move could damage the government's reconstruction and development programme.

However Mr Chris Stals, Reserve Bank governor, who has been warning for several weeks that a rise in rates was imminent, said the move was necessary to stave off rising inflation.

Israeli interest rates up

Israel's Central Bank yesterday raised interest rates by 1.5 percentage points to 15.5 per cent in a renewed effort to curb inflation, writes David Horovitz in Jerusalem. The governor of the Bank of Israel, Professor Jacob Frenkel, said the sharp rise was designed to rein in a boom in personal consumption, which is driving up imports and contributing to a worsening balance of payments deficit. Combined with a package of anti-inflationary measures agreed by the cabinet this month, Prof Frenkel said the rise should help the government meet its 8-11 per cent target for inflation in 1995. Inflation for 1994 is currently running at 14.5 per cent, double the government's original target.

INTERNATIONAL PRESS REVIEW

Sunshine journalism: all news is good news

SOUTH AFRICA

By Mark Suzman

Since President Mandela's inauguration, most of South Africa's mainstream newspapers have become skilled practioners of "sunshine journalism." This is a resolute determination to focus on good news – the ongoing spirit of reconciliation between blacks and whites and South Africa's new international respectability coming top of the list – while ignoring or playing down political and economic problems.

Last week, the local press was girding itself for just such a bout of self-congratulation as UK prime minister John Major arrived for a short visit, the first such trip by a British leader since Harold Macmillan clashed with his Afrikaner hosts in 1960. Journalists and editors were quite unprepared for the announcement by Zulu King Goodwill Zwelithini that he was cancelling Shaka Day, the most important Zulu national holiday, and breaking off relations with Chief Mangosuthu Buthelezi, who as well as being home affairs minister and leader of the Inkatha Freedom party, is the king's uncle.

Caught between the obligation to report on the monarch's apparent political swing towards the ruling African National Congress and the desire to highlight Mr Major's message of fraternal fellowship, newspapers seemed to weight their stories according to geographic distance from the Zulu heartland.

Thus, in relatively insulated Cape Town the Cape Times, a slender but respectable publication, noted the onset of the Zulu rift, but restricted its editorial comment to praising Mr Major's parliamentary address and examining its implications for South Africa.

Similarly, in Johannesburg both Business Day and the Star, the country's two most influential dailies, provided detailed analyses of the origins of the Buthelezi-Goodwill feud but offered little serious comment other than to express hope that a resolution could be reached without bloodshed. "South Africa has not yet sufficiently recovered from the conflict of the past 10 years to make light of the politics of ethnicity," warned the former.

Prince Buthelezi gestures during Shaka day celebrations AP

The KwaZulu/Natal newspapers by contrast reported liberally on the affair, but diplomatically refused to take sides. Instead both the Natal Witness and Natal Mercury called for speedy negotiations to resolve the monarch's constitutional position once and for all.

Even following Saturday's Shaka Day celebrations, which Chief Buthelezi went ahead with despite the king's non-participation, the Sunday Times, the country's biggest newspaper, chose to focus on Prince Edward's flying meeting with Mr Mandela and the government's planned reconstruction and development plans rather than wading too deeply into the Zulu morass.

Meanwhile, Rapport, the most prominent Afrikaans-language paper, seemed of the opinion that the election of the second consecutive black Miss South Africa was of far more import than the labyrinthine world of Zulu royal politics.

But while the establishment press has been slow to tackle the Zulu issue, the small but rapidly growing group of black newspapers, whose readership has been more affected by the violence that IFP-ANC faction fighting has caused, showed no such restraint. Reflecting its relatively mainstream politics, The Sowetan, the country's biggest daily, set the tone, lambasting Chief Buthelezi as an irascible, thin-skinned man who sees slights to his character where none exist.

Indeed, the only voice raised in the minister's defence was that of the bi-weekly Umafrika, which accused the ANC of "degrading the monarchy."

Meanwhile the previously anti-royalist City Press, the biggest black Sunday paper, was even more vituperative, charging: "When we now stone our kings and force them to flee their homes, we are not only blemishing our history, rotten as it is already, we advance the process of dehumanising ourselves."

Having rediscovered a common humanity so recently, however, most South Africans could be forgiven for hoping that the current crisis will soon be resolved. After so many years of misery, more sunshine journalism would not go seriously amiss.

Pyongyang raises new demands and protests at US military 'provocations'

North Korea digs in heels over N-talks

By Frances Williams in Geneva

US negotiators admitted at the weekend that talks with North Korea on its nuclear facilities were making little headway, as Pyongyang repeated that it would not accept international inspection of two suspect nuclear sites and warned that US military exercises were "provocations".

The atmosphere at the talks has been further clouded by remarks by the US Pacific Fleet Commander, Admiral Ronald Zlatoper, that US naval manoeuvres off the Korean coast sent "a very strong message" to North Korea comparable with the pressure on Haiti's military leaders to step aside.

In a predictably angry reaction, North Korea's foreign ministry said the US naval presence amounted to "undisguised military provocations" that could wreck the Geneva negotiations and end the freeze of the country's nuclear power programme.

Nevertheless, despite the bluster, the two sides met twice over the weekend at working level and were due to meet again last night or today. *The current negotiating session*, which began on Friday, is expected to last about a week.

The US team had hoped this time to reach a final settlement of the dispute with North Korea, based on the preliminary accord reached on August 12.

But Pyongyang has since raised new demands and seemingly gone back on aspects of the earlier agreement.

The two sides agreed in August that, as part of a final settlement, Pyongyang would freeze its current nuclear programme and accept full inspections of its nuclear facilities by the International Atomic Energy Authority (IAEA). In return, it would be given two light-water atomic reactors, help with its interim energy needs and the coveted diplomatic links with Washington.

However, Mr Kang Sok-ju, North Korea's chief negotiator at the Geneva talks, reaffirmed *that Pyongyang would* not accept special inspections of two undeclared sites where the IAEA believes diverted plutonium may be stored.

North Korea is also demanding "several billion" dollars in compensation for giving up its graphite-moderated nuclear reactor programme. This is in addition to the \$4bn (£2.5bn) estimated cost of providing the more "proliferation-proof" light-water reactors, which produce less weapons-grade plutonium.

In addition, Pyongyang is refusing to accept South Korean nuclear technology, saying it wants German or Russian reactors. The US, which is trying to put together a multinational consortium to meet North Korea's energy needs, including South Korea, Japan, China and Russia, says this demand is not practical.

There is also the vexed question of the 8,000 spent fuel rods corroding in a holding pond at the Yongbyon nuclear complex. North Korea says it is willing to encase them in concrete but the US wants the fuel *rods shipped to a third country* such as China.

US court reverses ban on nuclear waste ship

By George Graham in Washington

A potentially embarrassing setback for US nuclear non-proliferation policy was averted late on Friday when a *federal appeals court reversed* a lower court's injunction blocking the arrival in South Carolina of a shipment of spent nuclear fuel from European research reactors.

The earlier injunction, issued after a Danish freighter had set sail carrying casks of highly enriched uranium from research reactors in Denmark and Sweden, had prompted some nuclear proliferation experts to raise the spectre of a radioactive Flying Dutchman, barred from docking at its intended destination but forbidden also to return to its home port.

The injunction had also jeopardised the US's credibility in the Geneva negotiations over the extension of the Nuclear Non-Proliferation Treaty, *because it was seen by some* countries as further evidence of the US's inability to live up to its side of the bargain implicit in the treaty.

The spent fuel, which is much closer to bomb-grade uranium than the less enriched fuel used in power generation reactors, and therefore much more of a proliferation threat, is the product of the US's 30-year-old off-site fuel programme.

Under this programme, the US agreed to accept spent fuel from participating foreign reactor plants. *In* return, they committed themselves to switch to less dangerous low enriched fuel.

This shipment is part of an emergency programme to relieve the urgent storage *problems experienced by some* research reactors as a result of the US's five-year suspension of the programme.

The US is now working on an environmental impact statement to allow the programme to be fully restored.

However, the Department of Energy is still a long way from settling on a long-term solution to the problem of storing spent nuclear fuel, including the much larger quantities of less enriched but still highly radioactive waste from US commercial reactors.

Hopes for a deal amid the rhetoric

Nancy Dunne reports on the US-Japan trade talks as Washington's deadline looms

US and Japanese officials are heading into the final week of trade talks with at least partial agreement in sight after 15 *months of fruitless negotiations.*

With a September 30 deadline for agreement looming, the rhetoric on both sides has been tough. President Bill Clinton last week warned Mr Yohei Kono, Japan's foreign minister, of sanctions. Japanese officials have advised the US not to count on last-minute climbdowns.

But an important obstacle to agreement was cleared off the table last week when Tokyo announced a stimulative tax cut package. The US has been pushing for such a move since the signing of a broad trade framework agreement in July 1993 by Mr Clinton and Prime Minister Kiichi Miyazawa.

Agreement is likely on other fronts. In disputes over procurement of telecommunications and medical equipment and on Japan's insurance market, agreement has been close since last February's Washington summit, when Mr Clinton and Prime Minister Morihiro Hosokawa failed to reach a compromise and the markets reacted violently.

There is also hope for agreement on flat glass, a dispute added to the agenda along the way. Japan flew a special negotiator in to work on glass last week, and US officials on Friday gave the Japanese negotiators a proposed draft text to be studied over the weekend.

A stumbling block remains in talks covering vehicles and parts. Even though the sector comprises some 60 per cent of the \$60bn (£38bn) US trade deficit with Japan, the urgency for its resolution has abated. All US car companies are enjoying healthy sales and profits. Exports to Japan are rising rapidly, though starting from a minuscule base.

The concern now is vehicle parts, which involves more companies, many of them hit hard by competition from Japanese transplants. US car makers have been lobbying for a tough line, in anticipation of pressure from Wall Street for a deal at any cost.

Although these "results-oriented" trade talks were supposed to show a sharp departure from past efforts to open the Japanese market and sound a tougher note, the similarities are more apparent than the differences, said Mr Fred Bergsten, head of the Institute for International Economics and one of the trade specialists the Clinton administration is consulting as the talks progress.

The talks, moving product-by-product, represent "a hard slog to unearth and deal with specific Japanese practices" which discourage imports, Mr Bergsten said.

Although the US has sought benchmarks – "objective indicators" – to measure progress, it has from the first insisted that failing to meet those targets would not subject Japan to trade retaliation.

In the flat glass talks, for example, foreign glass manufacturers have for years sought to break into a market dominated by three Japanese producers, whose market share rarely varies and whose wholesalers are discouraged from buying imports by "strong-armed pressure tactics", according to the US industry.

Mr Steve Farrar, director of international business for Guardian Glass, said the US companies were looking for assurances that the links between suppliers and wholesalers would be broken. "We are working to get public statements from the wholesalers and manufacturers and a commitment from the ministry of trade and industry that they will monitor the implementation of these statements," he said.

By September 30, the US *administration* must also decide whether to cite Japan and others for trade practices which raise barriers to exports. Mr Bergsten is counselling against such a move now that strong multilateral trade rules, agreed in the Uruguay Round, offer a viable alternative to unilateral action.

Legislation intended to increase the pressure on foreign governments to open their financial markets to US banks is expected to come to a *vote in the US House of Representatives tomorrow*, George Graham writes from Washington.

But the bill, now called the National Treatment in Banking bill, is a pale shadow of an earlier measure which drew fierce opposition from free traders and foreign governments.

The new bill has been much more narrowly drawn to cover only banks, and not other areas of the financial services industry. It also aban*dons measures that would have given the* US Treasury the power to impose sanctions on countries which do not treat US financial businesses equally. Instead, it simply requires the Treasury to publish a list of countries which deny national treatment to US banks.

A picture of Chinese leader Deng Xiaoping looms over passers-by in Beijing ahead of National Day celebrations on October 1 AP

Asean members in dispute over free trade zone plan

By William Barnes in Chiang Mai, Thailand

The six members of the Association of South-east Asian Nations are in unusual disarray over a proposal to turn the Asia-Pacific Economic Co-operation group into a free trade zone by the year 2020.

The Asean members had hoped to form a united core within Apec, but that received a setback at the weekend when their trade ministers admitted they might not be able to agree on a common response to the free trade proposal, which *could figure prominently* in next month's Apec summit in Jakarta.

Mr Ryutaro Hashimoto, Japan's minister for international trade and industry, undercut Asean reservations when he told Asean economic ministers meeting in Chiang Mai that "basically we are able to accept" the free trade proposal by the so-called Eminent Persons Group of business people and academics

Asean ministers were forced to try to smooth over their differences at a late-night press conference on Friday. The reference in the original draft of the press statement that the ministers discussed the free trade report "at length" was deleted in the final press release.

Thailand – like many Asian countries that have enjoyed relatively easy access to the important US market – now fears that Washington will use the proposal to open up Thailand's own increasingly important domestic market.

A senior Thai government official said Asean would need to examine "the hidden agenda *inside the conditions* tied to 2020". Malaysia, which has long railed against western domination of international trade, led calls for the report to be shelved.

"The report is a good reference... but we cannot subscribe to very long-term visions," said Malaysia's trade and industry minister Rafidah Aziz. However, Mr Yeo Cheow Tong, Singapore's trade and industry minister, said "It is important for every organisation to have a vision of where you want to go and where you want to be ultimately."

And the Indonesian government argued that "Asean is now strong enough to face any liberalisation in this region. The problem is simply how do you join this [free trade] bandwagon."

● Economic growth in Thailand is expected to accelerate this year and next, but the government needs to tackle problems such as inadequate infrastructure and shortages of skilled labour to ensure sustainable growth in the future, the Thai planning agency said at the weekend, **Victor Mallet *reports from Bangkok*.**

The state-run National Economic and Social Development Board (NESDB) predicted that real gross domestic product would grow 8.4 per cent this year and 8.5 per cent in 1995, compared with 7.6 per cent in 1992 and 8.1 per cent in 1993.

Inflation is expected to rise to 5 per cent this year from 3.3 per cent in 1993, but will probably drop slightly in 1995. Exports should rise 16.1 per cent this year to Bt1,070bn (£29bn) and imports increase by 15 per cent to Bt1,315bn.

New Mexican regime to follow old economic programme

Zedillo will honour pact with business and labour, writes **Damian Fraser**

The incoming Mexican government headed by Mr Ernesto Zedillo plans to follow a conservative economic programme next year, to reduce inflation to 4 per cent by maintaining the present exchange rate policy and *running* a balanced budget.

The economic strategy was announced over the weekend as the current government renewed the annual pact with business and labour unions that sets economic policy for the next calender year. The pact was drawn up after long consultations with Mr Zedillo's campaign team, who say they are in full agreement with the accord, and intend to comply with it.

Uncertainty over renewal of the pact had led to recent volatility in Mexico's money and foreign exchange markets, *with speculation that Mr Zedillo's administration* would push for a more expansive fiscal policy and faster depreciation of the currency against the dollar from the current rate of 5 per cent a year, to boost economic growth. Until rumours of the pact renewal reached the market on Friday, the peso was trading at 3.40 to the US dollar, the top of its permitted band.

"The signal of all this is that stability won," said a senior government official involved in negotiations over the pact. Mr Zedillo, a former central banker known for his aversion to fiscal deficits, formally *takes office on December 1, when he will* have the opportunity to put some finishing touches to the plan.

The agreement was signed by the newly independent central bank, whose credit operations will be directed to achieving the inflation target of 4 per cent next year. An official said the central bank's pledge, which could lead to higher interest rates if inflation did not fall from current level of about 7 per cent, was the "anchor" of the programme.

The Finance Ministry predicted that eco*nomic growth would rise to 3.6 per cent in* the second half of this year, industrial sector growth to 4.9 per cent, and fixed gross investment by about 8 per cent. The unexpectedly strong economic recovery influenced the decision to push for stability rather than economic growth, according to officials. The pact aims for economic growth of about 4 per cent for next year.

The pact allows for an increase in the minimum wage of 4 per cent plus the average productivity growth in the economy. The lowest-paid workers will have *their take-home pay boosted by another* 3 per cent. About 7 per cent of Mexican workers earn the minimum wage, although the salary is used to set prices and wages for other better-paid workers.

Unions agreed – under some pressure – to limit contractual wage increases to 4 per cent plus bonuses based on productivity increases achieved at the plant level. With inflation this year expected to be close to 7 per cent, and many sceptical that the government will meet its 4 per cent inflation target, some union representatives complained their workers would be taking real wage cuts.

The plan also provides for some modest measures to stimulate investment, as Mr Zedillo had promised on the campaign *trail. The measures include*: a reduction in the tax on assets for unprofitable companies from 2 to 1.8 per cent; a four-year exemption from the tax for new investments; a faster depreciation allowance for investment in training and anti-pollution equipment; and an increase in the number of companies that can pay taxes on a quarterly basis. In addition, the incoming government promised to put money raised from future privatisations into a special fund to stimulate private infrastructure spending.

Leftwing threat to Blair's taxation plans

By Kevin Brown

Labour leftwingers yesterday threatened to disrupt Mr Tony Blair's leadership honeymoon at next week's annual conference unless he drops plans to rule out higher taxes.

As taxation emerged as a key conference issue for both main parties, rightwing Tories also signalled plans to demand tax cuts at the Conservative conference in the following week.

Conservative strategists also expect a rightwing revolt over law and order, although Mr Michael Howard, home secretary, is expected to survive calls for his resignation.

Labour officials say that Mr Blair and Mr Gordon Brown, the opposition chancellor, will "flesh out" a fresh approach to taxation at an economic conference in London tomorrow.

Mr Blair will confirm that Labour has no plans for higher taxation, except for the very rich, who are believed to have benefited unfairly under the Conservatives.

Labour strategists believe the party's "tax and spend" image must be scrapped if it is to establish credibility among middle class voters.

However, leftwingers said taxation would be at the top of a list of issues on which the leadership will be challenged, including minimum wages and the role of trade unions.

"I think there will be a row about what Blair has been saying on taxation," said a prominent member of the Campaign group of Labour MPs.

"There is widespread concern that if he is going down that road, there will be continued underfunding of health and welfare, and that is unacceptable."

Opposition ministers say the revolt will be contained by stressing Labour's plans to reduce taxation of the lower paid and cut out "wasteful" spending on unemployment.

"I don't think there will be much trouble," one opposition minister said. "People were critical about Tony Blair's decision to attack the Tories on law and order because it was seen as their natural territory, but there is now almost complete agreement that he was right."

Labour leaders believe that the party has been adequately prepared for a shift to low taxation since the last election, which many believe turned on Labour's plans to raise taxes.

Mr Kenneth Clarke, the chancellor of the exchequer, sought to head off rightwing Tory demands for early tax cuts by insisting that the government could win the next general election only through fiscal prudence.

He said on BBC Television: "When we cut taxes is going to be determined by when public spending is so controlled and public borrowing is so reduced that we can afford it."

Peacekeeping top of agenda for Yeltsin and Major

By Dimitry Volkov and Anthony Robinson

Mr John Major, the prime minister, and President Boris Yeltsin of Russia yesterday reviewed a range of peacekeeping operations, with particular emphasis on Bosnia, during the final day of the president's visit.

Russia has alligned with the UK and other European countries in trying to dissuade the US from seeking to lift the UN arms embargo and increase the flow of arms to the Bosnian Moslems.

Mr Yeltsin described the visit as a weekend of "useful and enjoyable" talks at the prime minister's country retreat. The leaders also discussed the Queen's state visit to Russia next month.

Mr Douglas Hurd, Britain's foreign secretary, held discussions with Mr Andrei Kozyrev, the Russian foreign minister, who is accompanying the president on his visit to the UN today.

Today Mr Michael Heseltine, trade and industry secretary, will discuss prospects for greater trade and investment in the oil industry and other areas when he meets his Russian counterpart, Mr Alexander Shokin, the deputy prime minister in charge of international economic affairs.

Komatsu makes it to a milestone

By Chris Tighe

Komatsu UK, the hydraulic excavator manufacturer, passes a milestone today when it hands over the 10,000th machine from its factory at Birtley in north-east England.

The years since 1985 when the plant was taken over by Komatsu of Japan, the world's second biggest producer of construction equipment, have not been easy. After initial rapid growth, Komatsu UK's production fell from a 1989 peak of 1,900 units to 1,200 in 1992, because of a big slump in the UK construction industry.

In spite of two rounds of job losses, which cut employee numbers from 430 to 350, the Japanese parent remained committed to Birtley and continued an £8m investment programme.

Nearly three years later, Komatsu UK is benefiting from a sharp rise in the UK and US markets - counterbalanced by a downturn in Germany, its main export market.

It is also fighting increased competition from imported and UK-made equipment, but is maintaining a 20 per cent share of the UK market, where it sells a fifth of its output. The rest is exported to continental Europe and Scandinavia.

"It seems like we're running very hard to stand still," says Mr Keith Tipping, Komatsu's managing director. "We think it's going in the right direction," he adds.

This year has seen important advances which could help iron out future troughs. For the first time, Birtley has exported to the US, with sales of tracked excavators and machine arms worth £4m.

A new wheeled excavator, the second model designed entirely at Birtley, will be launched soon. Until now the site's designs have been solely for Europe, but an excavator it is designing now is for the world market. It hopes also to manufacture the model.

Carl Rutherford

Managing director Keith Tipping at Komatsu's Birtley plant

The plant's turnover this year should be about £78m and it is likely to produce about 1,300 excavators.

This is less than 60 per cent of its 2,400 unit capacity but the likely target for 1995 is 1,500. It has also begun manufacturing bodies for Japanese-made Komatsu dump trucks and a range of excavator attachments.

Britain in brief

Swans starts shipbuilding asset disposal

The first shipbuilding-related asset of Swan Hunter, the Tyneside shipbuilder facing closure, to be sold by receivers Price Waterhouse has been bought by a German shipbuilder. The intellectual property rights of Swan Hunter Singapore have been acquired by Lurssen for S$200,000, around US$158,000.

Joint receiver Mr Gordon Horsfield said the Singapore IPR package was the result of a "tidying up", to split the intellectual property assets of Swan Hunter from its Singapore subsidiary. Swan Hunter's main IPR package has already attracted bidders, believed to include Lurssen's UK-based rival Vosper Thornycroft.

Late attempt for EU backing on rail link

The British government has launched a belated attempt to obtain priority status for a flagship rail project from the European Union. Its initial failure to seek a priority listing for the £500m West Coast rail link on the EU's programme of trans-European networks could cost it European funding, supporters of the project said. It could also make it more difficult to raise private sector finance.

Priority status for the 550-mile West Coast route between London and Glasgow would make it eligible for help with feasibility studies and other EU funding.

Defence workers to lobby Tories

A three-month campaign by unions over the latest round of defence cuts will culminate next month when dockyard and naval-base workers lobby the Conservative party conference. This will be followed on October 17 by lobbying of the House of Commons, when it is due to debate the cuts.

The campaign started in July after Mr Malcolm Rifkind, defence secretary, announced savings of £750m a year with the loss of 18,000 jobs, including 7,000 civilian posts.

BR closes European freight service

British Rail has closed a subsidiary set up to provide a container service to continental Europe because it failed to find a buyer in the private sector.

Haulmark European Transport was established two years ago to provide a door-to-door service between European destinations. Containers were shipped by road to a rail terminal or port and continued by ferry or through the Channel tunnel. The company was put up for sale in March.

Taming the beast of H Street

Costs are being cut at a World Bank critics claim is bloated and bureaucratic. Martin Wolf reports

Last week Lewis Preston – president of the World Bank Group since 1991 – dropped a little bombshell into the laps of his staff. Over the next three years, he proposed, the budget should be cut at an annual rate of some 6 per cent in real terms. Stringency has come to what its critics argue is a bloated and over-bureaucratic leviathan. First-class air travel has already gone. What might come next?

Preston's stringency is the latest element in a programme of internal management reform progressively introduced since his arrival three years ago. It goes well, for example, with dollar (or cash) budgeting, under which senior managers are being given sums with which to achieve agreed objectives.

The financial squeeze partly reflects Preston's appreciation of the chilly climate. Some shareholders, notably the US, believe the Bank should share the pain felt by public sectors everywhere. They note that between the financial years 1990 (July 1989 to June 1990) and 1995, staff costs of the Bank Group are expected to rise by 56 per cent to $878.8m (£556m), and overall costs to grow by 60 per cent to $1,420.3m. Total administrative costs this year are larger than the gross domestic products of several of the Bank Group's clients, Mozambique being an example.

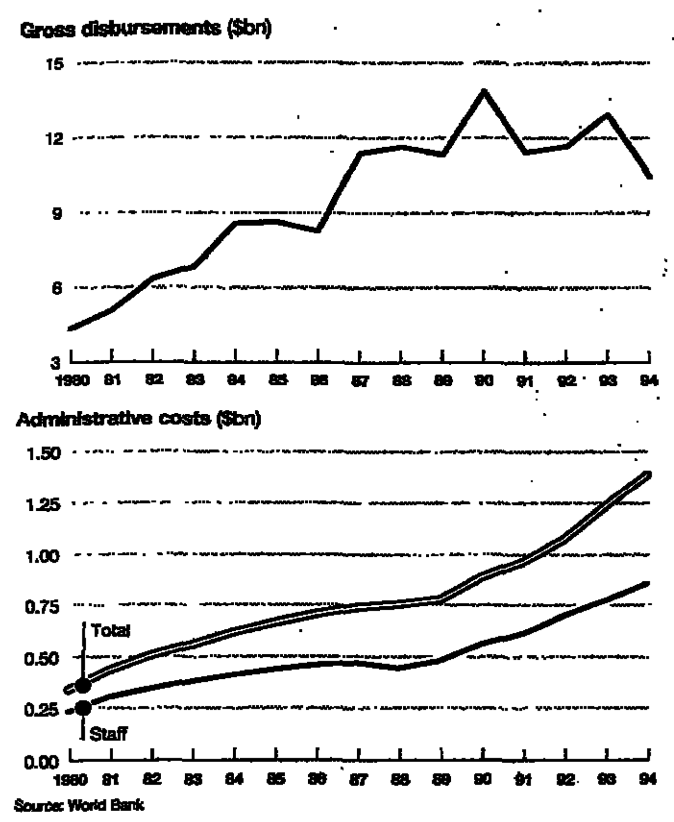
So large an increase in expenses seems surprising, since lending activities have stagnated for many years (see chart). Shahid Husain, the Bank's recently-appointed vice-president for management and personnel services, explains the rising costs by reference to three developments:

- hugely expanded work on eastern Europe and the former Soviet Union, little of which has as yet borne fruit in lending;
- expanded lending for the environment, which is relatively labour-intensive; and
- improved project implementation, following the Wapenhans report on that topic.

These explanations provide a valuable reminder that the Bank's mission is not to transfer money at minimum cost. But the president obviously feels that things have gone too far, all the same. The question is how the proposed squeeze on costs fits into his attempt to remedy the failures of what he once judged among the most under-managed institutions he had encountered.

The Bank's problem is not financial. The equity (paid in capital, plus reserves) of the International Bank for Reconstruction and Development, the Bank's commercial lending arm, is $26.6bn, on which shareholder governments demand no dividends. If the Bank were merely to earn a 5 per cent real return on its capital, it would be able to support the current level of administrative costs in perpetuity.

This huge subsidy must, however, be justified by performance. Here lies the Bank's challenge. "There has been a broad recognition, led by Preston, that an institution like the Bank cannot keep on expanding," says Husain. "There is also a consciousness that the Bank has to be managed. You don't simply manage loans and you don't simply manage economic and sector work, but you have to manage resources and people. Improvement in efficiency and reduction of costs have to become an integral part of the work of the Bank."



Source: World Bank

The task is made urgent by the criticism of the institution and by the rapidity with which the world continues to change. The Bank's main long-term mission is deemed to be the alleviation of poverty, above all in Africa and South Asia, along with environmentally sustainable development. But around this core the Bank must be "tremendously mobile", in Husain's words. Leviathan must learn to waltz.

Before Preston's arrival, the Bank had suffered two traumatic re-organisations: one in 1972, the other in 1987. These focused on the Bank's structure, rather than on its processes and procedures.

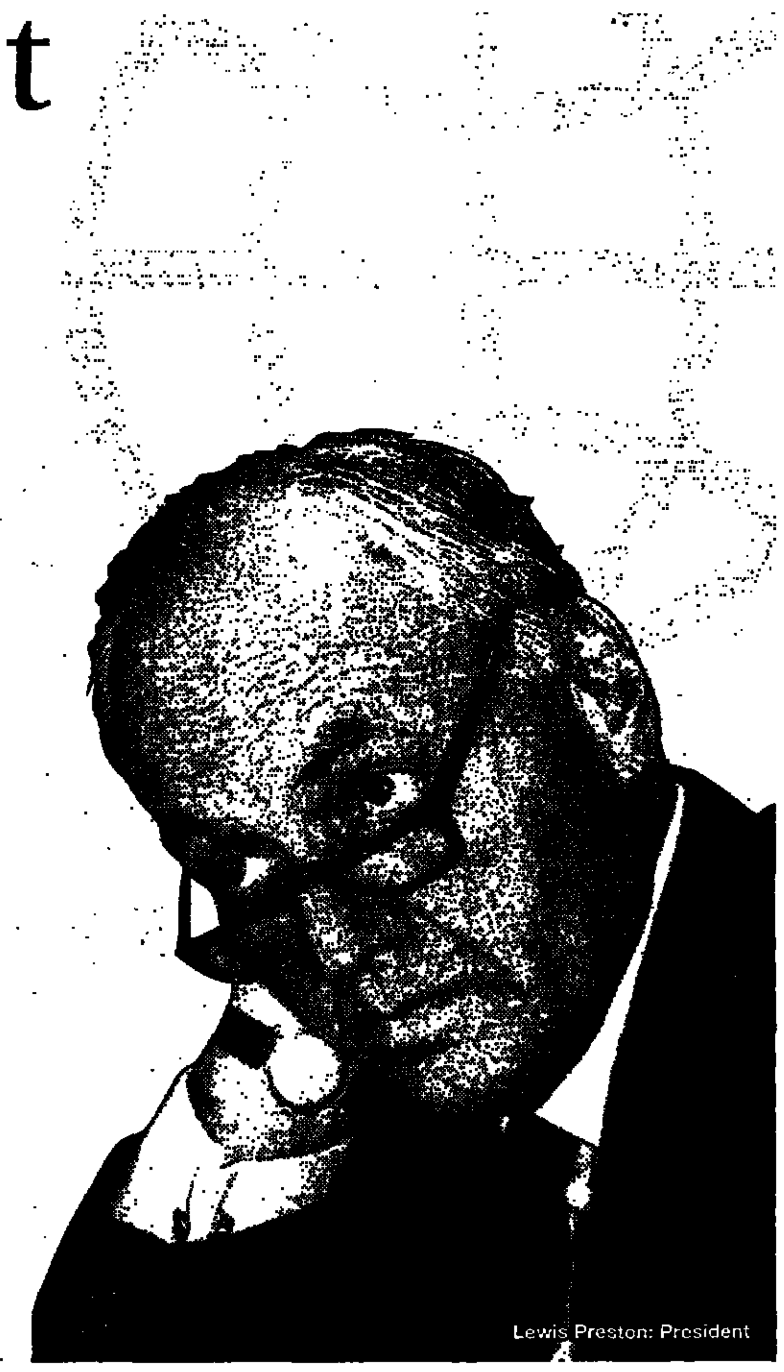
Husain says: "We believe that large traumatic changes of the sort that took place in 1987 leave behind so much debris that in the long run they are self-defeating. One disadvantage of such infrequent large changes is that people do not take change as a normal way of life. What we are trying to inculcate, however, is the idea that since the world around us is changing all the time, so must we."

The other disadvantage, alluded to by Husain, is the effect on staff morale. The World Bank employs highly qualified staff who believe in what the Bank does, but dislike the institution itself. This problem of poor morale was greatly exacerbated by the 1987 upheaval, in which staff were simply told to scramble for new jobs, as in a giant game of musical chairs.

When Preston came to the Bank he found an organisation still shattered by that event. This had reduced staff numbers by about 500 and created four large, self-contained regional offices. The cuts proved to be temporary. The number of regular staff, at 6,406 last June, can be compared with the 6,095 in June 1986, before reorganisation, and the 5,665 shortly afterwards.

The new structure coped quite well with narrowly regional challenges, such as structural adjustment in Latin America and the growing involvement with China. But Husain argues that this decentralised Bank "could not serve us well in providing a centrally-driven response to changes in the international environment. For example, our work on the environment was slow to take off. Our work on Russia and eastern Europe also took time to take off. And above all we took a long time to recognise that the wind had changed and that our constituents both in the developed and developing countries expected much greater rigour in management and efficiency".

Preston's initial effort was to strengthen the centre, by creating a presidential office with three managing directors. He also established three new central units in the areas of sustainable development, human resources and promotion of the private sector.


Lewis Preston: President

A next stage was to strengthen the Bank's personnel and management function. Husain says that "in the course of the 1987 reorganisation there was an almost total demolition of the central management and personnel capacity. There was no unit that was concerned with business processes . . . [there was] very poor capacity on organisation issues, poor capacity for recruitment for an institution which basically has only one asset, its people, and inadequate management of training and skills."

The main emphasis has been on changing processes, but changes in processes are expected to affect structure as well. This sequence – from process to structure, rather than the other way around – is novel for the Bank.

It is now looking at specific parts of its organisation, one after the other, asking first whether what is being done should be done, and second whether things should be done in the way they are being done.

So far, the spotlight has shone on the East Asian regional office and on the international economics department. Simultaneously, attention is being paid to the administrative apparatus and information management. Market-testing and contracting-out are among the buzzwords here.

The work has already been completed in one department of the East Asia region. Attention will soon be turned to South Asia and Latin America. Husain says: "We hope to complete all this work in the next two years."

Husain gives a telling example of what is involved by pointing to the Bank's core function, lending for projects. "In our old procedure, project officers would first have preliminary ideas. They would write up these preliminary ideas, which would be reviewed within the division, with people in support departments, with the director and with the regional vice-president.

"The second step would be a final project summary, which would go through the same review process. In the meantime, much project preparation would take place. After this last review, a mission would be sent to appraise the project. The mission would come back and would prepare an issues memorandum. Again people would collect from around the Bank to look at those issues.

"Then the vice-president would give the go-ahead to write the appraisal report. Thereupon, there would be negotiations with the borrower. When the negotiations were completed, someone in the vice-president's office would look at the final negotiated project, which would be sent to the Board for approval.

"What we are doing in the case of East Asia is to have one simultaneous review at a very early stage. We are going to do pilot projects on that basis. The fundamental thesis is this: review things once; do things simultaneously; do them faster."

Husain admits that "this may all seem minor, but every year we approve 250 projects. At any time, the World Bank is working on 1,000 projects. It also spends massive amounts on economic and sector work. We believe it is through this detailed re-engineering that we will get to the issue of cost and efficiency. This will require delegation. It will involve a tremendous amount of effort in selection of people and in training. It will also require rationalisation of internal information and technology."

The Bank is, in short, trying to get things right first time. For what has effectively been a governmental bureaucracy, these are huge changes, with radical implications for delegation and training, and for the quality of the people doing the jobs, as opposed to those who manage the people who do the jobs.

These efforts at improved internal management do appear significant. But questions remain: over the effectiveness of the board, for example, particularly in supervising the Bank's management; and over the effects on the shaky morale and hunger for security of a staff whose opportunities elsewhere are limited both by their experience at the Bank and by the G4 visa for foreign members, which prevents them from staying in the US. Husain insists that forced redundancies should be unnecessary. Will that prove correct?

Yet there remains a bigger question. How does an organisation whose aims have included "institution-building" justify the delay in attending to itself? If the questions being asked now are the right ones, why were they never asked before? Senior managers seem convinced that they have to be answered decisively and effectively if the Bank is to enjoy a secure future. They may well be right. They must hope that they are not already too late.

DESERT ISLAND MANAGER

Elizabeth Esteve-Coll

Elizabeth Esteve-Coll has been director of the Victoria and Albert, the UK's national arts and design museum, since 1988, where she has instituted wide management change. Before starting a career in librarianship and the arts, she sailed the world with her Spanish-born naval husband.

You're allowed one item of office equipment besides telephone and fax.
I can't function without my Filofax – its popper keeps busting because it's so full.

How would you cope? Would you still try to run the V&A, or would you leave the answerphone on?
I'm quite self-sufficient and practical. I would try to keep in touch, but I would probably settle down to wallowing in peace and quiet. I do ring in to the V&A nearly every day if I'm away, but I also realise that no one is indispensable.

You find a footprint in the sand: whose would you hope it was?
François Mitterrand has an amazing record of achievement both in the arts and politics. As French president, he has focused on cultural monuments and services, for which he will be remembered. He is also a very charming man.

If you couldn't return, what would you regret?
The V&A has 20¼ acres of roof. Each year we get a bit done, and I would like to have got that finished.

If you could retrieve one item from the V&A collections as your ship went down, what would it be?
Although it is not the most transcendental or beautiful thing in the museum, I'd like to have the Great Bed of Ware. Said to have held 26 people, it could be bed, shelter, life raft and even wildlife sanctuary.

What would you miss most?
I would miss staff and colleagues enormously – for their enthusiasm, passion and commitment. They are world experts and you learn something new every day.

You can take a film, a book and some music.
I'd take one of those wonderful multi-episode films. I love Marcel Pagnol's work – his early *Marius* and *Fanny* are favourites – or I would take *Jewel In The Crown*, as I love India. At last I would have time to finish reading *A Suitable Boy* by Vikram Seth, and I would want to listen to a Gregorian chant – the Santo Domingo De Silos recording.

What food would you like?
Vast quantities of salad and very good oil, Spanish or Italian.

How would you get about?
On a fat, slow Dales pony. We could amble about the island, and I would get a good view as well as having a companion.

What scheme would you spend your enforced leisure on?
I could spend the time having great thoughts about French Romanesque sculpture, hypothesising on how the sculptures came to be where they are and who made them. I would sneak along my many photographs of sculptures, and papers on the subject.

Harriet Arnold

Dress codes and how to wear them

LUCY KELLAWAY

Lord Hanson does not like to see a speck of dandruff on the shoulders of his colleagues. At the first sign of a receding hairline or bulging midriff he sends them off to the in-house trichologist, or to the doctor to have their cholesterol levels assessed.

This is one of the more interesting revelations in a new book about him by journalists Alex Brummer and Roger Cowe. On the face of it, Lord Hanson's feelings about dandruff do not matter one way or another. But what is shocking in these post-paternalist times is a boss who involves himself personally in the appearance of his staff.

On closer inspection, however, Hanson may just be doing what other companies do less explicitly. Most employers do not have such meticulous standards, yet they do have a dress code that communicates itself informally. Last week Linklaters & Paines made the headlines for withdrawing its ban on trousers for its women solicitors. This was only remarkable in that the rules are laid down; in other firms women – and men for that matter – learn what to wear by looking at their colleagues.

I remember being outraged when a superior at my first employer, Morgan Guaranty, took me aside for a word about my appearance. I should blow-dry my hair, wear some make-up and buy one of those nice Brooks Brothers navy blue suits, she advised. At the time I took this pep-talk as evidence that I was working for an uptight American company set on crushing the individuality of its employees. What I failed to see was that to disregard a company's uniform is on a par with not getting to work on time.

There is nothing wrong with companies taking an interest in their workers' wardrobes. After all, their staff are an important part of the corporate image they are trying so desperately to project. However, it is better for companies to take a lesson from Hanson and Linklaters and be as clear about the uniform as possible. A visit to the trichologist or to Brooks Brothers today is better than a missed promotion tomorrow.

Still on the subject of clothes, did you know that 90 per cent of British blue-collar workers say there is nothing worse than having to wear a pair of dirty overalls? I know this because I have just received a press release from the Liverpool Business School telling me so. Yet I am puzzled. Why are MBAs researching this sort of thing? On second glance it all becomes clear: the sponsor for this "research" was Johnson Group Cleaners.

This sort of pseudo-scientific survey is little more than a (poorly) disguised means of advertising. Every week a fresh bundle lands in my in-tray, each with an arresting "fact" written across the top and a giveaway sponsor's name across the bottom. Among the latest batch is one from a firm of caterers claiming that 90 per cent of office workers think morale would be transformed by a good staff canteen. Another shows that 83 per cent of secretaries are bored rigid at work – this from a company that runs secretarial training courses. My favourite is a survey that shows headhunters are more widely used and give more satisfaction to their clients than management consultants, accountants and most other advisers you can think of. No prizes for guessing which profession conducted *that* survey.

Opinion polls are suspect at the best of times. But those that set out to prove an often tenuous point are so obviously partial, it is surprising that companies are optimistic enough to embark on them and that recipients are naive enough to believe them.

Since I wrote about the tedious management books that sit unread on shelves, I have received a copy of an Institute of Management survey that puts managers' disregard of books in context. Less than 5 per cent of CEOs think management books are a valuable source of ideas, although consultants, the media, their customers or competitors are also given bottom marks for inspiration. When CEOs want ideas it seems they depend on managers in their own company, peers and even junior staff.

I was just getting excited about these findings, and the accompanying warning that British bosses are urgently in need of external advice, when I saw that the survey had been sponsored by Mitchell Phoenix, a consultant specialising in developing chief executives.

In response to that article, I have also received enough management books to fill a library from authors and publishers protesting that theirs are anything but dull. Having flipped through some of these I do not feel repentant, although I have learnt that the verb "to manage" comes from a French root referring to dressage exercises for horses. The dictionary says that this use is obsolete, though I wonder if traces of it still remain at Hanson.

ARCHITECTURE

The tyranny of the few

Colin Amery attacks the fashion for architectural contests

Forget any idea you might have had that architecture is something that concerns people other than just architects. Just as you thought that the tyranny of the few was being seriously challenged by the thinking majority, something happens that forces you to think again. Any hope that the commonsense views of the *users* of buildings were beginning to have an effect on decision-makers is once again seen as an illusion.

The recently-announced result of the competition to find an architect for a new Welsh Opera House in Cardiff is a temporary victory for a minority of once-fashionable arbiters of taste. The selection of the architect Zaha Hadid by, in my opinion, a misguided jury shows that the relentless promotion of once-fashionable ideas continues apace.

Hadid is an archetypal member of that small group of international architects who perform, largely for each other, as a kind of travelling circus. The values they represent have little to do with local context, or practicality.

For a long time they have been playing the part of a faded *avant garde* with an attitude that is supposed to make anyone who has different views look reactionary. The truth is that Hadid and her friends are now the reactionaries, representing the kind of absurd architectural arrogance that the public has long learned to distrust.

Her work – it goes without saying that there are practically no built examples – is a late derivative of early 20th century Russian Constructivism. Her design for the Opera House in Cardiff might have been impressive as a student copy of a Constructivist painting, but as a building it has no reality.

Her sources appear to be two-dimensional, and one can only hope that *this* Cardiff Opera House remains that way. There is only a slim chance that it will be built. It is only one among countless bidders for cash hand-outs from Britain's soon-to-be-launched national lottery. As a result, it is highly probable that Hadid's "winning" entry will join the body of her unbuilt work.

Her passing victory is itself a warning of the dangers of the fashion for architectural competitions. As it happens, the public architectural competition is probably here to stay. Already our masters in Brussels have decreed that any public project with European funding has to be the subject of a competition.

There is also talk in the fetid corridors of Britain's own arts bureaucracy that lottery projects, including those to mark the millennium, will have to undergo the scrutiny of politically correct architectural juries. It will be jobs for the boys: fashionable friends of fashionable friends will dictate architectural taste and the man in the street, or the user of the building, is unlikely to get a look in.

There is real danger in this fashion for architectural competitions, because the winner is inevitably determined by the composition of the jury. The chance of a disinterested jury with adequate representation from people who are not architects is very slim. It is clear that architect-led juries attempt to baffle the layman with jargon and pseudo-science.

Juries are also much influenced by famous names and smooth talkers, and often do not spend much time looking at plans.

There is a tendency for juries to be beguiled by the professional's conceptual approach which they hope will somehow evolve into a good building.

It was inevitable that Sir Richard Rogers would win the chance to plan the revamping of the terrible South Bank: London's ugly arts centre on the Thames. It was equally inevitable that he would attempt to seduce the jury with a lot of talk about creating a "people's palace". We have already seen his ideas for the Thames in an exhibition at the Royal Academy when a series of what looked like oil refineries appeared to have sprouted along the river's banks. His proposal to dress up the monsters on the South Bank in a limited high-tech wardrobe looks superficial and unlikely to win that desert many more friends.

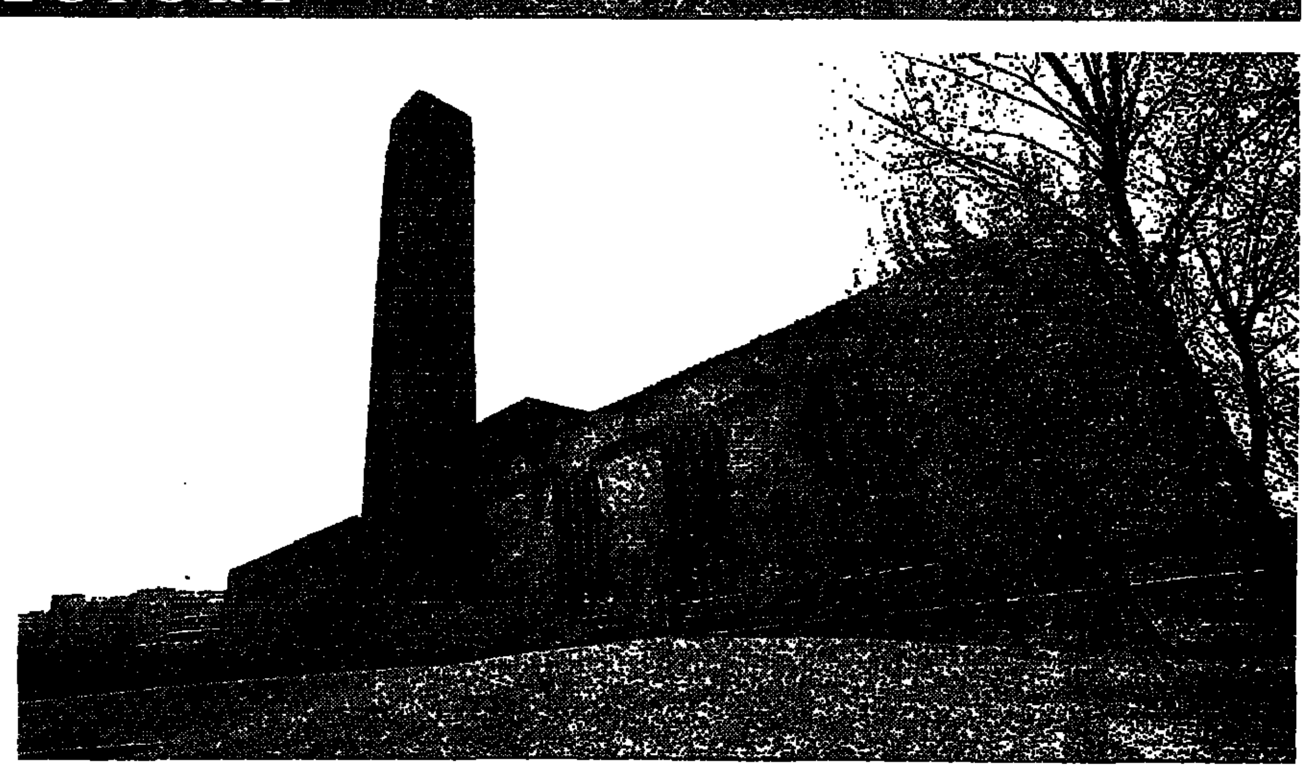
One competition that particularly worries me is the one for the new Tate Gallery of contemporary art to be housed inside the shell of the old Bankside power station near London's Southwark Bridge. The names on the short-list are due to be announced today, but the Tate's director, Nicholas Serota, has almost certainly chosen his favourite.

Serota is known for his severe taste and his penchant for what is internationally fashionable. He would like to see the austere Japanese architect Tadeo Ando bring his abstract concrete vision to London. The risk attached to the Bankside adventure is that the power station will become a great unapproachable catafalque for contemporary art.

Unless the planning brief for the architectural competition insists upon a friendly mix of uses for Bankside power station, it will become an isolated monument full of arcane and unapproachable art in a part of London that is miles from its friends upstream at the Tate.

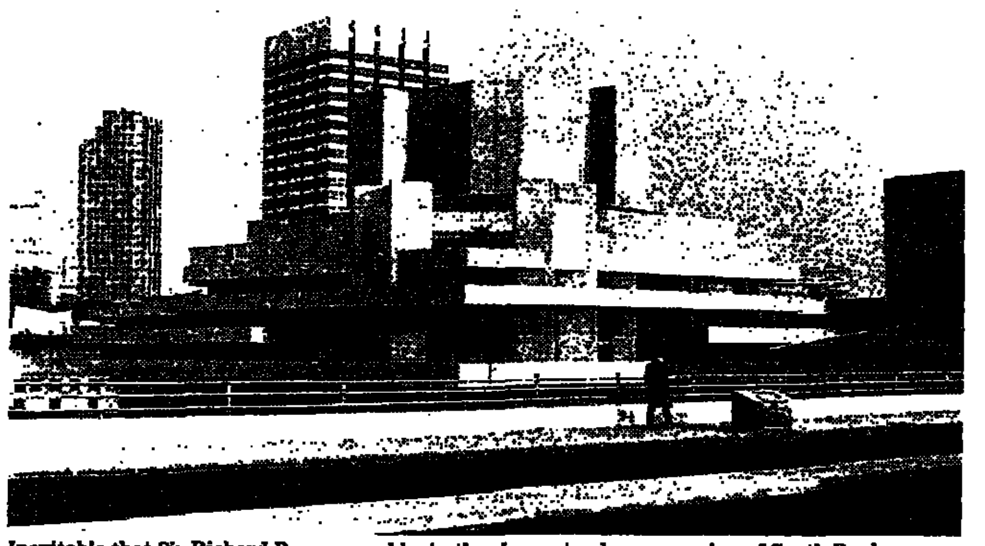
I have no idea how the inevitable committees that will dole out the money to be generated by Britain's national lottery are to be advised about architecture. Are they happy to leave crucial decisions to the same old architectural mafia which largely promotes its close friends? Will the users be listened to? Or the man in the street?

Judging from recent competition results, I believe that the time has come to realise that many winning schemes – which are often extremely expensive – are the architectural equivalent of the emperor's new clothes.



Andy Mears

The risk attached to the Bankside adventure is that it will become a great unapproachable catafalque for contemporary art



Inevitable that Sir Richard Rogers would win the chance to plan revamping of South Bank

MEDIA FUTURES

Heart of the next consumer electronics thrust

Louise Kehoe reports on C-Cube, developer of the core technology for CD video players

When Japan's leading electronics companies launch their consumer video CD players in Tokyo next week, a small Silicon Valley semiconductor company will be cheering them on.

JVC, Matsushita, Sony, Sharp and Denon are all customers of C-Cube Microsystems, developer of the core digital compression technology for this new generation of home video players, which promises to make the video cassette (tape) as old hat as LP records.

C-Cube will supply a semiconductor chip that performs the critical task of decoding or decompressing the digital video data stored on a compact disc. Until now, such technology has been far more expensive or of lower performance than that of tapes.

The C-Cube chip "is the only extra logic device required to transform an audio CD player into a video CD player," says Alexandre Balkanski, 34, who founded C-Cube six years ago. The incremental cost is only about $50, he adds.

For the consumer electronics industry, the "PlayCD" chip presents an opportunity to revive sagging profits. It is 11 years since the introduction of the audio CD, the last product to create a consumer electronics "boom". Now the audio CD player market is heavily saturated and prices have declined to the point where profit margins are wafer thin.

"With just a small increment in technology, they have a whole new product," says Balkanski. The Japanese companies are determined to make Video CD a success, he says, predicting sales of at least 1m units in the first 12 months. "This is a red-hot product that will transform the home stereo into a multimedia entertainment system. This is the beginning of a whole new market."

Video CD players are designed to be hooked up to a television set, like a VCR, to play films, music videos or karaoke. The first Video CD players are expected to sell for about $250-$400.

However, these products, which will make their debut in Japan next week, are aimed primarily at karaoke fans and devotees of music videos. They can be used to play full-length films, but the discs will each hold only about 70 minutes of video, so two discs are needed for a full-length feature film. The picture quality will be about the same as a video tape.

It is the second wave of Video CD players, expected in about six months, that is creating high excitement among multimedia experts. With improved picture quality and the ability to cram a full-length film on to a single CD these "movie players" could seriously challenge video tape players.

Video CD players will not, however, be able to record TV programmes. Tapes and CDs will probably therefore co-exist for many years, just as today's audio systems typically include a CD player and cassette tape deck for recording. Few doubt, however, that the CD will soon become the medium of choice for pre-recorded video.

"The X-generation will love them," says Rick Sizemore of Total Research in Multimedia, an Arizona market research firm. He projects sales of up to 1m Video CD players next year and 5m in 1996. The launch of the first consumer oriented Video CD players could rocket C-Cube's sales ($23.7m last year, and $18.6m in the first half of 1994) into a much higher orbit. The company, which raised $37.4m from an initial public offering in April, is beginning to attract Wall Street attention.

Analysts are projecting net earnings per share of about 70 cents for 1995, on sales approaching $100m. "We view C-Cube Microsystems as the purest and best near-term play on deployment of digital multimedia into many existing and yet-to-develop end markets," analyst Alex Brown said in a recent report on the company.

Currently, C-Cube has little competition in the emerging multimedia chip market, although the company expects that the "big boys" of the semiconductor industry, including Motorola and the in-house chip operations of Japan's consumer electronics leaders, will soon be nipping at its heels.

C-Cube subcontracts the fabrication of its products to other chip makers, including Texas Instruments, one of the largest in the US. The company says that it has no plans to invest in its own chip manufacturing facility, preferring to concentrate its resources on chip design.

Even if Video CD does not take off as quickly as expected, C-Cube has other irons in the multimedia fire. The company has developed a video "encoder" chip, used to compress video signals for digital satellite TV and cable TV transmission. It also provides chips for multimedia personal computer add-on circuit boards.

C-Cube chips are also used in the Panasonic 3DO home video game machine, widely acclaimed for its superior graphics. The 3DO machines have been slow to catch on in the US, largely because they are more than twice as expensive as competing video game players from market leaders Nintendo and Sega.

however, C-Cube's latest chip will significantly reduce the price difference, says Balkanski, giving manufacturers of 3DO machines an opportunity to become real challengers in the video game market.

In the longer term, C-Cube hopes to supply chips for use in television "set top boxes", the units that will link TVs to future interactive services. In this potentially very high volume market, C-Cube expects to face severe competition.

But the company is not waiting for interactive TV to take off. The multimedia trend has already created big opportunities, Balkanski believes. "While others are talking about the future potential, we will be printing money," he says

Business lead for caller identification

By Andrew Adonis

Despite the hype about video-on-demand and home shopping, on past form it was always likely that business, rather than residential applications, would lead the march towards commercial multimedia services. So it is proving, with the progressive integration of office personal computers with telecommunications networks.

The video phone is a case in point. Most of those currently on offer are windows-based systems which convert the PC into a video phone by means of an appropriate "card" and camera placed on top of the PC screen.

Another line of development is the rise of "computer telephony integration" (CTI) systems, which enable PCs to be used to process telephone calls. CTI is advancing fast in the sales, marketing and customer support fields, where there is strong and immediate corporate demand for enhanced methods of dealing with phone-based business.

The introduction into the UK this autumn of "calling line identification" – a new phone facility which passes the number of the calling party to the person being called before the call is answered – is set to give a significant boost to computer telephony integration.

For businesses dealing with customers by phone, it will make it possible to set up systems enabling telephone staff to summon customer records on the PC screen before answering calls.

The race is on to provide low-cost CTI systems which can take advantage of calling line identification, and to make them available to small and medium-sized businesses which have as much to gain from them as those in the large corporate sector.

AT&T, the US telecoms company, claims to have made a low-cost breakthrough this month with its "PassageWay" products, developed jointly with Novell, the US computer networking software supplier.

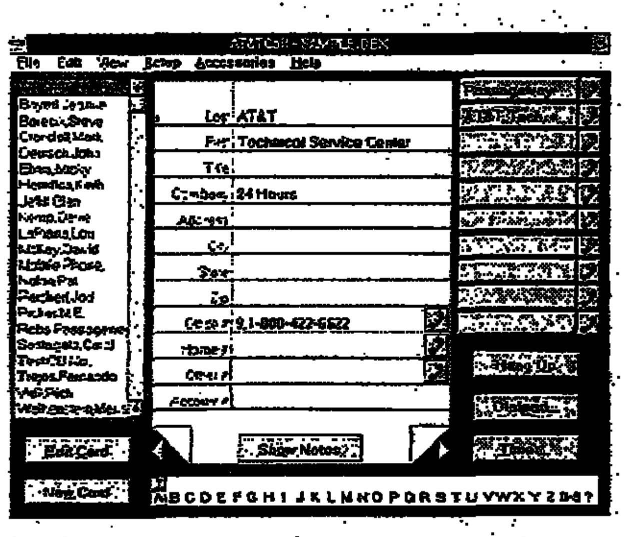
AT&T's "PassageWay Direct Connection" and "PassageWay Telephony Services" systems link the PC to the telephone line, making available a range of windows-based functions. These include the provision of screen "cards" on customers, which can be displayed within seconds through calling-line identification, and the ability to dial directly from the PC using a stored data base.

The PC keeps a record of incoming and outgoing calls and all functions are available at the click of a mouse.

The "PassageWay" software is retailing at £475 per line.

However, users may also need new hardware to integrate their phone and PC systems. This is available for less than £1,000 for a small business that has less than 16 telephone lines.

A 50-workstation user licence is available for around £7,000.



AT&T's card file application can maintain names, addresses, telephone numbers and other information

France launches faster version of minitel

By John Ridding in Paris

The minitel, France's teletext system, is getting faster as it gets older. Tomorrow, France Télécom will unveil its minitel Vitesse Rapide, a system which is eight times quicker than the 6.5m terminals already installed in the country's households and businesses.

For the French state-owned telecoms operator it is an important step. "We regard it as one of the first moves towards multimedia and an information superhighway," says one official at the group.

The new terminals, which will cost less than FFr100 ($19) per month to rent, will allow a significant increase in the capabilities of the minitel network. For the first time, for example, service providers will be able to send photographs to potential customers.

"If you are looking to buy a car or a house then you can have a photograph sent immediately," says a spokesman for France Télécom. Existing services available on minitel will also be cheaper. By raising the system's speed from 1,200 bytes per second to 9,600, the time needed for connection will be sharply reduced.

Initially, the new service is expected to be aimed at business customers. In time, it should find its place in French households as consumers demand a broader range of multimedia services.

"There has been a long wait for a faster system," says one analyst in Paris. "There should be quite strong interest from corporate clients. But the rate of penetration will depend on the quality of the system, particularly the images and the number of new services it attracts."

The high-speed minitel is not the only element in France Telecom's push towards multimedia services. Earlier this year the company established a new multimedia subsidiary, which has subsequently launched a range of services, including a pay-per-view movie channel. An electronics games channel and an home shopping channel have also been developed by the new subsidiary.

For minitel, the upgrade represents a new source of growth after 15 years of service. There are now more than 23,000 services available on the minitel system, from the basic telephone directory service to reservation facilities for trains and airlines. But it faces increased competition with communications and information networks, such as Internet, which operate on personal computers.

BUSINESS TRAVEL

Virgin name change

Virgin Atlantic is renaming its full-fare economy Mid Class cabin Premium Economy. An increasing number of passengers were becoming confused and angry that they were not receiving a comprehensive business-class service when flying Mid Class, *writes Paul Betts.*

The airline says research has revealed that some passengers and travel agents considered Mid Class as the airline's business cabin, rather than a superior product for passengers paying a full economy fare.

This confusion has left passengers feeling they are not getting their money's worth. They have compared Mid Class unfavourably with business-class services of other carriers, says Virgin. "By giving it an economy tag, we are signalling exactly what it is – a superior *economy product*," says Ruth Blakemore, Virgin Atlantic's marketing manager.

***Mid Class, launched two* years ago, offers separate check-in and cabin, more seat room, free drinks and newspapers.**

Customs efficiency

International air travelers at Washington's Dulles airport are getting cleared through Customs more rapidly without any let-up in catching drug smugglers, according to US treasury secretary Lloyd Bentsen.

Mr Bentsen says it took an average 35 minutes to clear a passenger through customs at Dulles in 1992, against five minutes now.

Inspectors are better trained to look for smugglers, he suggests, adding airlines are providing information pointing officials to likely smugglers.

There were nine large seizures of heroin totaling 16 pounds at the airport two years ago, compared with 19 that yielded 59 pounds so far this year.

Heathrow's health

Heathrow Airport insists there was no risk to the travelling public as a result of a baggage handler contracting legionnaires' disease.

Low levels of the bacteria which causes the disease were discovered in a crew restroom at Terminal 4 after *KLM* employee Chris Chittenden was taken seriously ill three weeks ago.

Tests were carried out throughout the Heathrow site, but no action was taken to warn travellers.

An airport spokesman denied there had been a risk to the public.

"It was an isolated incident. It was not detected in any area except a staff area, so it was determined that there was no risk to passengers and no need to inform them," he said.

"We decontaminated the areas and as soon as we were satisfied, and the Health and Safety Executive were satisfied, it was business as usual."

A KLM spokeswoman said the rest area was out of bounds to the travelling public. Its water supply had now been reconnected after *decontamination.*

Moscow fares

Bus and subway fares in Moscow nearly doubled under a city order that took effect last Friday.

Despite frequent fare hikes, public transit has been one of the most affordable services in the Russian capital, and is heavily used. But the current increases could bite the pocketbooks of low-income Muscovites.

A monthly transit pass that cost 10,000 roubles, or about $4, on Thursday now costs 30,000 roubles, or about $13. One subway ride has gone up from 150 roubles, roughly 6 US cents, to 250 roubles, or 10 US cents, while a bus token has climbed to the same level from 130 roubles.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
[illegible]	27	[illegible]	27	25	25
Hong Kong	31	30	30	29	29
[illegible]	[illegible]	16	15	14	15
Frankfurt	21	19	16	14	15
[illegible]	22	21	23	21	22
L. Angeles	26	24	25	25	25
[illegible]	24	25	23	22	20
Paris	20	16	18	16	15
[illegible]	[illegible]	15	15	14	15

Maximum temperatures in Celsius.
Information supplied by Meteo Consult of the Netherlands

Price of free tickets

Airlines want to change the emphasis of air mileage schemes, says Charles Jennings

Air mileage schemes have become something of a headache for the world's airlines. Most leading airlines now offer a bonus or incentive scheme based on the number of miles a passenger flies with it: even some of the old communist bloc carriers have become involved, with Czechoslovak Airlines running a frequent-flyer scheme, called OK Plus, for the last two years.

However, free tickets are an expensive way to keep the customers happy. People still refer to a summer when Pan Am, the defunct US airline, discovered that all its flights to Hawaii were filled by passengers claiming free mileage awards. As a consequence, airlines are becoming increasingly careful about the rewards they offer and the ways in which they administer such schemes.

Swissair, for instance, which runs the Qualiflyer mileage scheme along with Austrian Airlines and Crossair (and has reciprocal deals with Delta, SAS, Cathay Pacific and Singapore Airlines), makes it clear that members claiming free tickets may not be able to get on heavily booked flights. As a further dampener, it warns: "Your point of entry in a country need not be identical with the airport at which you board your return flight."

It is also keen to tempt you away from claiming an aircraft ticket of any description. Instead of a free flight to New York, for example, your 75,000 mileage credits could be spent on an hour in a Swissair flight simulator, two nights at the Lucknam Park hotel near Bath, or deep-sea diving in Lake Geneva.

Japan Airlines, with its JAL Mileage Bank scheme, is similarly quick to suggest that mileage credits can be spent on hotel accommodation, a "European break", or a seating upgrade, rather than a ticket.

Even American Airlines, which was the first to introduce mileage credits in 1981, is clear that, however many credits you accrue on its AAdvantage frequent-flyer programme, you cannot insist on any particular free flight in return.

As the airline puts it: "We have a sophisticated system to make sure that flights don't get swamped with AAdvantage flyers."

British Airways also evidently has this in mind with its Air Miles scheme. In order to qualify for Air Miles on BA, you must be a member of the Executive Club – a privilege earned by collecting Travel Points on BA flights. You can then accrue Air Miles points only on fully flexible fares: non-discounted, unrestricted, non-Apex tickets, which account for a minority of tickets sold. The allowances, moreover, are not especially generous – a one-way flight from London to Rome can net you 80 Air Miles, but it will cost you 1,900 Air Miles for a free return ticket to the same destination. And you may not be able to fly when you want to.

Travel Points, however – which entitle you to Executive Club membership, access to the executive lounges and other benefits – are relatively easy to pick up. A handful of flights to the US and you could at once become a Silver Tier Executive Club member. BA wants to take the emphasis off free flights and turn Air Miles from a something-for-nothing promotional device into part of a larger strategy to keep customers loyal. As BA puts it: "It's more a thank you for travelling with us."

This is clearly the trend. As an industry spokesman observed: "In a perfect world, many airlines wish they weren't in the system. The problem is, it's here and you have to finds ways to live with it."

Waiting in the wings: the 10-seater Boeing 247D, which is celebrating its 60th anniversary this year, is dwarfed by the new Boeing 777, which will carry 300-400 passengers depending on cabin configuration. The first 777 is due to enter service with United Airlines of the US next year

Europe's most frequent and hardest-working trippers

The Belgians make more business trips than anyone else in Europe. The Greeks make the fewest and, when they do travel, they work the shortest hours when they arrive at their destination. These are some of the findings of a survey conducted by Visa International, the payments organisation.

Visa surveyed more than 2,000 travelling readers of Executive Travel and International Management magazines in 10 countries. The Belgians who responded had made an average of 19.6 business trips in the past 12 months.

The second most active travellers were the Dutch, who had made 16.7. The British were in third place, with 15.1 trips. At the other end of the scale, the Greeks had made only 7.4 trips over the past 12 months. The Norwegians were the second least active, with 10 trips.

The majority of travellers in the 10 countries – 54 per cent – said they were now making the same number of business trips as in the previous 12 months. About 27 per cent said they were making more trips, while 19 per cent said they were taking fewer. Most of the travellers who were making more trips said the main reason was that their companies' performance had improved.

While the Germans were not the most frequent travellers, making 15 trips in 12 months, they claimed to work the longest hours when they reached their destination. On average, German business travellers said they worked 11.6 hours a day. The second most industrious business travellers were the Dutch and the British, who both said they worked an average of 11.4 hours a day. The French worked 11.2 hours a day.

Many travellers from the four hardest-working countries said they put in even longer hours. Twenty per cent of the British, 24 per cent of the Dutch and French and 25 per cent of the Germans worked more than 14 hours a day.

The most relaxed business travellers were the Greeks, who worked an average of 9.9 hours a day when they were on business trips. They were followed by the Spanish, who worked 10.3 hours.

Michael Skapinker

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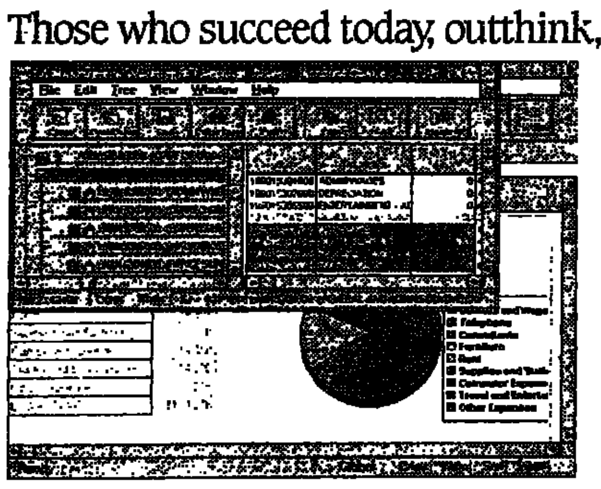

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PEOPLE

Homing in on the vulnerable

In moving from Shelter to the Consumers' Association, Sheila McKechnie tells Diane Summers, she will still fight for the underdog

Sheila McKechnie is characteristically blunt about the mistakes she made when she took over nearly 10 years ago as director of Shelter, the British housing charity.

A warm, noisy and energetic person, the 46-year-old Scot admits that the restructuring she was forced to carry out might have been less painful if she had been more experienced and better attuned to other people's frailties.

"I completely underestimated people's insecurity. I'm a person who sees change as the essence of life; dealing with people who got defensive in the face of change was something I just didn't understand," she says. "I'm very strong on strategic management ... people management is not so strong."

Her words may cause some hearts to sink at the Consumers' Association, the organisation which, it has just been announced, McKechnie will take over in January. More change and conflict will be the last things many of the staff there will want.

The CA, best known as publisher of the 700,000-circulation consumer magazine *Which?*, has had a rough ride recently, with open conflict between staff and its abrasive current director, John Beishon, as well as public debate about its role in the age of the increasingly sophisticated consumer.

But McKechnie will tread extremely carefully, especially at first. "When you're dealing with a very established organisation, the worst thing you can do is go in and say everything that's been done in the past is wrong and you want to change it." She is respectful of the association's professionalism and expertise – a sensible stance, since at present she cannot have much more than an informed outsiders knowledge of many of the issues with which the association deals.

Lack of technical knowledge will not hold her back for long, and any CA boffins hoping to blind her with science should beware. McKechnie's confidence is breathtaking. If she fails to grasp something you have just said – well, it is likely to be your fault and you had better try again.

A regular on *Question Time* or *Any Questions*, she is bound to pop up again within weeks of starting her new job and to sound utterly convincing in her new role.

This confidence does not stem from a privileged background. She describes her family as "very ordinary Scottish working class". She was born in Falkirk (the local newspaper calls her The Battling Bairn) and was head girl at the high school.

She was the first member of her family to go to university (Edinburgh) and, after a degree in politics and history, did what many bright, socially-conscious, vaguely left-wing people did at the time: she went to work for a trade union. On the way she stopped off for an MA in industrial relations at Warwick University and a year at Oxford on a research contract.

The union she joined was the tiny Wallpaper Workers' Union (wallpaper printers, rather than painters and decorators). After a brief spell as a Workers' Educational Association lecturer, she joined the white-collar union, ASTMS, with which her smaller union had been in competition. The next nine years were spent as national health and safety officer there before she became director of Shelter.

At Shelter she initially earned a bit of a reputation as someone who occasionally shouted first and asked questions later; there were some sackings and resignations. Now she commands great respect among professionals in the charity industry and enormous affection within Shelter, which she has taken from fewer than 50 staff and a turnover of £1m to around 250 staff and a turnover of about £10m.

Lingering criticism of her style does not bother her unduly. "Anybody in my position is going to have people who criticise them and say they're far too directive and they've got too strong views. But then that's part of the leadership role," she says.

And Shelter needed leadership when she took over. "I very quickly realised that it was an organisation that had turned in on itself. Employees were directing a lot of their attention to the inside of the organisation and not engaging with the issues," she says. "There was a very 1960s mentality."

This held that everyone in the organisation should be highly principled and compete to be on the left of everyone else. "You made a statement, then got into your bunker and pulled down the shutters."

McKechnie has turned Shelter into a fast-response organisation offering practical advice and services to homeless people, as well as campaigning on topics such as repossessions forced on people who get behind with mortgage payments.

It has also, she says, had to conduct the "campaign of its life" to defend existing legislation, which offers at least some protection to the most vulnerable. The charity is probably more in the public eye than at any time since the days of founder Des Wilson and the early TV film, *Cathy Come Home*.

Her successor, she says, will face a tough time. "Nothing is going to change substantially in this government's policies. There's also the possibility of an attack on housing benefit, which could lead to much higher levels of homelessness. None of the political parties has given housing the priority I think it should have."

She particularly objects to what she sees as the government's obsession with owner-occupation. "The British level of owner-occupation is incompatible with a modern, well-functioning economy," she reckons.

How does all this serious stuff fit in with best-buy pop-up toasters and the other middle-class preoccupations of the average *Which?* reader?

McKechnie warms to her new theme. "We are all consumers. People are having to make big financial decisions about their future and their children's future in a context where a lot of people are trying to tell them to do things which are not in their interest. I feel very shocked about what's happened in the financial services industry." Anyway, she says, "if you're poor and your kettle breaks down after six months and you need another one, it could be a financial disaster".

Some weeks ago, John Beishon, the outgoing CA director, who feels he has come under attack unfairly for trying to modernise the association, said in a newspaper interview: "I have a feeling there will be a terrible pressure to go back to the way things were and to regard this (my tenure) as a horrible nightmare."

With the announcement of McKechnie's appointment, he says these fears have vanished. CA's ruling council "clearly resisted that pressure and has made a very imaginative and bold appointment. The council asked me to give CA a higher campaigning profile and to put it more in front of people as *the* consumer champion – which I think I did. Now she's going to take it further still and I think that's excellent." There are those who find the association already too strident, says Beishon. "They're living in the past. In the old days, influencing our society was done by phoning up a minister because you'd been at school with him – and it always was a him. You had a quiet lunch at the club and a few words were said. That world has gone."

The Battling Bairn is the woman for the new one.

NAMES IN THE NEWS

Llewellyn gives up Paris for Lehman Bros

Lehman Brothers clearly has a liking for talent grown in the Paris-based Organisation for Economic Co-operation and Development, writes Peter Norman.

It is appointing John Llewellyn, currently head of the private office of OECD secretary general Jean-Claude Paye, to be its London-based head of European economic research.

Llewellyn (below) will take up the post of managing director and chief economist, Europe in January. He will step into shoes vacated by Gerry Holtham, a former close colleague at the OECD, who moved this summer to head the Institute of Public Policy Research, a left-of-centre think-tank in London.

Llewellyn, 50, will manage a team of five economists in London and will report to Allen Sinai, global chief economist of Lehman Brothers in New York, and to senior management in London. He will have overall responsibility for Lehman Brothers' pan-European research and for spreading the company's economic message to its clients in Europe.

There, the contacts and experience acquired during 17 years at the OECD should prove invaluable. While Llewellyn has acted as Paye's *éminence grise* for the past five years, implementing the secretary general's policy inside the organisation and liaising with member and non-member countries, the bulk of his career in Paris has been more directly concerned with economic policy and analysis.

He was deputy director of the social affairs directorate from 1986 to 1989 and head of the economics prospects division, editing the twice yearly Economic Outlook, from 1978 to 1986.

Llewellyn, who has UK and New Zealand nationality and was a Cambridge economics don before going to Paris, said he was drawn to Lehman because "it is the most global in outlook of the investment banks".

Sweet move for Schapiro

Over the years, Robert Schapiro has won a reputation for boldness at Monsanto, writes Richard Waters.

The man behind NutraSweet for most of the 1980s, Schapiro embarked on an ambitious marketing plan for the artificial sweetner: he persuaded the makers of food products that contained NutraSweet to carry his product's logo on their packaging, creating a direct bond with consumers. Sales of the sweetner soared.

Now 56, Schapiro has just been named the next chairman and chief executive of the chemicals and drugs group, a job he takes on at the start of next year. He follows Richard Mahoney who, at the age of 60 and after 12 years at the top, has decided the time has come to step aside.

Wall Street will be looking for some more boldness from Schapiro in future. In particular, a growing band of analysts and investors is looking for Monsanto to sell the Searle drugs business, bought by Monsanto for $2.5bn in 1985. Without the range of drugs or the economies of scale of its bigger competitors, Searle is seen as a weak competitor in a market which is becoming increasingly dominated by big, institutional buyers.

Schapiro, himself a former boss of Searle, has yet to show his hand – though he has said that the company may consider joint ventures or other alliances with other drugs companies. Meanwhile, the stock market greeted news of his promotion with an immediate 5 per cent rise in Monsanto's share price – partly because it suggested that Mahoney believes this year the company would reach his target return on equity of 20 per cent.

Problems at home and away

Lars Thunell became one of Sweden's best travelled businessmen last year as he scuttled round the world sorting out the problems left by the crisis at Nordbanken, writes Christopher Brown-Humes.

His new job as chief executive of Trygg-Hansa, one of the country's two main insurers, will also give him opportunities for international troubleshooting – starting in the US where Trygg has run into deep problems with its Home insurance affiliate.

Trygg has suffered big losses through its 64.5 per cent stake in Home, a much bigger company, and it is anxious to reduce the burden by bringing in a partner as soon as possible. Resolving this difficulty is probably Thunell's top priority, although his wider task will be to restore Trygg's tarnished reputation after the crisis in the Swedish financial sector.

Thunell, 46, is widely admired for his work at Securum, the "bad bank" loaded with Nordbanken's problem loans. He made it more than a pure liquidating company by giving it an active role in maximising value. His finest hour came last year when he played a vital part in engineering the SKr16.6bn merger between Nobel Industries – in which Securum held 72.9 per cent – and the Dutch chemicals group Akzo.

Not surprisingly, then, his new appointment was welcomed by the market, which marked Trygg's shares higher. Whether it goes down as well with Trygg's employees is another matter.

"I am good at changes, both at building up and cutting down," said Thunell with a slight hint of menace when he met the press last week. He also suggested that the group should stick to what it does best – keeping its domestic insurance customers satisfied.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey Natl First Cap. Sb. Cllrd. FRN '04 C$32.31
Abtrust Scotland Inv. 0.7p
Asahi Chem. 6% Bd. '97 Y600000.0
Boots 10⅛% Bd. 2017 £2531.25
Boustead 0.65p
Britannia B.S. FRN '97 £137.46
British Land 8⅞% Bd. 2023 £443.75
Do. 12½% Bd. 2016 £625.0
Do. 6% Sb. Irrd. Bd. £30.50
Dainippon Screen 6.1% Bd. '97 Y610000.0
Daiwa Int. Fin. Fxd/Fltg. Sb. Nts. Sep.'02 $6250.0
Exchequer 12¼% '99 £6.125
Field 4.75p
Finnish Ex. Credit 3.5% Eq. Yield Enh. Sec. '95 $17.50
Fuji Bank Int. Fin. Perp. Sb. Gtd. FRN Y217945.0
Do. Und. Sb. Gtd. Var. Rate Nts. Y70462.0
HIH Cap. 7½% Cv. Cap. Bd. '06 £187.50
Hill & Smith 2.1p
Konica 7¼% Nts. '98 Y725000.0
NEC 7.15% Bd. '97 Y7150000.0
NT & T 5⅞% Nts. '96 Y58750.0
NKK 5.9% Bd. 97 Y590000.0
RCO Hldgs. 4.95p
Sabre Int. Sor.P Var. Sec. Nts. '98 Y60351.0
Sachan Merchant Bk. FRN '95 $677.26
Sumitomo 6% Bd. '97 Y600000.0
Sumitomo Metal 5.9% Bd. '96 Y590000.0
Sweden 5⅝% Bd. '95 Y56250.0
Tokyu Land 8.5% Bd. '95 Y425000.0
Trafalgar Hse. 10⅝% Bd. '06 £106.25
Treasury 13½% 04/08 £6.75
Vaux Grp. 9⅞% Db. '15 £4.9375
Do. 10¾% Db. 2019 £5.375
Do. 11¾% Db. 2010 £5.875
YTB Fin. Gtd. Fxd/Fltg. Nts. '02 $6600.0
■ TOMORROW
Bradstock 1.6p
First Private Fin. Mezz. Asset-Bckd. FRN '21 £1722.18
Do. Snr. Asset-Bckd. FRN '21 £1376.97
Mersey Docks 6¾% Rd. Db. 96/99 £3.375
Royal Dutch Petroleum FL3.80
Scottish Life As. 7⅛% Un. Ln. 97/2002 £3.5625
Stars 1 A Fltg. Rate Mtg. Bckd. '29 £127.98
Treasury 8% 2013 £4.0
■ WEDNESDAY SEPTEMBER 28
Aegon FL1.30
Barings Gtd. FRN '01 $12.94
Cheshire B.S. Fltg. Perm. Int. Brg. £38.9932
Oriflame Int. (Reg) 8.7p
Do. (Br) 8.7p
Royal Bk. Can. Nth. Am. Fd. Ptg. Pf. $0.04
■ THURSDAY SEPTEMBER 29
Charlwood Alliance 7½% Un. Ln. 1.875p
Daiwa O'seas Fin. Gtd. Fltg/Fxd. Nts. '02 $2421.39
Forminster 11.35p
Fujita FRN '97 Y686805.0
Guaranteed Ex. Fin. 12⅞% Gtd. Ln. '02 0.12875p
Impala Platinum R0.95
Italy (Rep. of) FRN '98 $63.89
Manchester 3% Rd. Cons. 75p
Met. Water Chelsea Water. 2¾% Db. 1897 £1.375
Nott'ham Water Anns. (£3.50) £1.75
Do. (£1.35) £0.675
Residential Prop. No.3 A1 Mtg. Bckd. FRN '25 £983.16
Do. Class A2 £1374.80
Do. Class B £1634.42
Tendring Hundred Water 4½% Rd. Db. £2.25
Trafalgar Hse. 8% Un. Ln. 94/99 £4.0
Do. 9½% Un. Ln. 2000/05 £4.75
Vektra R0.06
■ FRIDAY SEPTEMBER 30
Abbey Natl. First Cap. Sb. FRN '02 $26.19
Abbey Natl. Treas. Gtd. Cap. FRN '96 £143.75
Alex & Alex. $0.025
Do. Class C 0.02p
Alexon Cv. Pf. 3.125p
Allied Textile 4.8p
Allnatt Lon. Props. 9¼% 1st Mtg. Db. 96/2001 £4.625
American Cyanamid $0.4625
Angerstein Underwriting Trust 1.2p
Anglo Fin. No.1 Mezz. FRN '01 £1713.57
Do. Senior FRN 2001 £1367.48
Do. No.2 Mezz. FRN '04 £1815.58
Do. Senior FRN '04 £1450.10
API 3.85% Cm. Pf. 1.925p
Assoc. Br. Eng. 4.9% Pf. 2.45p
Do. 8% Cv. Rd. Pf. 4p
Atlantic Metrop. (UK) 12% Cv. Ln. 91/1997 £6
Audax Props. 11% 1st Mtg. Db.'21 £5.50
Automotive Prods. 9% Pf. 4.5p
Do. 3½% Pf. 1.75p
Do. 4.55% 2nd Pf. 2.275p
Bank fur Arbeit AG Sub. FRN 2000 $268.33
Barrow Hepburn 7.75% Pf. 3.875p
Bass Invs. 7⅜% Un Ln 92/97 £3.6875
Bass 10⅜% Db 2016 £5.1875
Do. 10.65% Db 1996/99 £5.325
Do. 4½% Un. Ln 1992/97 £2.25
Do. 7¾% Un. Ln 1992/97 £3.875
Bemrose 7½% Pf. 2.625p
Black & Decker $0.10
Blue Circle 5¾% 2nd Db. 84/09 £2.875
Boddington 4% Perp Db £2
Boot (H) 5.25% Cm. Pf. 2.625p
Boscombe Prop 5% 1st Pf 1.75p
Bowater 7¾% Cv. Pf. 3.875p
Bridon 7% Non-Cm. Pf. 1.225p
Brit. Air. Cap. 9¾% Cv. Cap. Bds. 4.888356p
Brit. Amer. Tobacco 5% Pf. 1.75p
Brit. Funds 15½% Treas. '98 £7.75
Do. 7¼% Treas. 1998 £3.625
Do. United Kingdom FRN '96 $115
Brit. Inv. Tst. 11⅛% Sec. Db. '12 £5.5625
Brit. Land 10½% Dfd. 1st Mtg. Db. 19/2024 £5.25
Do. 11⅜% 1st Mtg. Db. 2019/24 £5.6875
Do. 9⅜% 1st Mtg. Db. '28 £4.6875
Brixton Est. 11¾% 1st Mtg. Db. '18 £5.875
Brockhampton 9½% Rd. Pf. '96 4.75p
Brown (J) 4⅞% Sec. Ln. '03 £2.4375
Do. 5⅝% Sec. Ln. 2003 £2.8125
Cable Wireless 7% Cv. Ln. '08 £3.50
Cap. Counties 6¼% 1st Mtg. Db. 93/1998 £3.125
Do. 6¾% 1st Mtg. Db. 94/99 £3.375
Churchbury Ests 9% Un. Ln. 2000 £4.50
City Site Ests 10½% 1st Mtg Db '17 £5.25
Cl'land Place 5% Rd. Db 2000 £2.50
Do. 12⅛% Rd. Db 2008 £6.0625
Coats Viyella 4.9% Pf. 2.45p
Collateralised Mort. Secs. (8) Mtg. Bckd. FRN '28 £108.02
C.U. 8⅜% Cm. Irrd. Pf. 4.1875p
Cooper (F) 6.5p (net) Pf. 3.25p
Courtaulds Clothing Brands 7½% Cm. Pf. 2.625p
Courtaulds 7¾% Un. Ln 2000/05 £3.875
Courts (Furn) 5.9% Pf. 2.95p
Cowie (T) 10½% Cv. Pf. 5.25p
Credit Foncier 14¾% Gtd. Ln. '07 £368.75
DAKS Simpson 5% Cm. Pf. 1.75p
De Beers Centenary Fin. 8¼% '09 £5.1308
Debenhams 6¼% 2nd Db. 90/95 £3.125
De La Rue 2.45% Pf. 1.225p
Drayton Eng. Intl. 8⅞% Pf. £4.4375p
Do. 5½% Pf. 1.925p
Do. 10⅝% Db. '14 £5.3125
Drummond 8% Pf. 2.8p
EFT 0 525p
Elliott (B) 7¼% Db. 90/95 £3.625
Emhart 6% Pf. 2.1p
Empire Stores 8¾% Db. 91/96 £4.375
English Scot. Invs. 3¾% Pf. £1.875
Ewart 8½% Un. Ln. 1990/95 £4.25
F&C Euro. 5¾% Cv. Un. Ln. '96 £2.875
F&C Inv. Tst. 5% Pf. 1.75p
Fidelity Dist. Money Fd. Aust. Dollar A$ 0.294
Do. Austrian Schilling Sch3.934
Do. Canadian Dollar C$ 0.274
Do. Deutschmark DM0.648
Do. Dutch Guilder HFL0.50
Do. Euro Currency Unit Ecu0.251
Do. French Franc FFr1.177
Do. Hong Kong Dollar HK$1.651
Do. Irish Punt IR£0.228
Do. Italian Lira L520.539
Do. Japanese Yen Y11.019
Do. New Zealand Dollar NZ$0.579
Do. Spanish Peseta Pta63.024
Do. Sterling 19.2p
Do. Swiss Franc SFr0.348
Do. Dollar $0.258
Finsbury Growth Tst. 5% Cm. Pf. 2.5p
Finsbury Tst. 5¼% Pf. 2.625p
Finsbury Growth 5% Pf. 2.5p
Fisons 5⅞% Un. Ln. 04/09 £2.9375
Forminster 11% Pf. 5.5p
Fulcrum Inv. Tst. 1.4p
GT Chile Growth Fd. $0.60
GWR 5.5p
Gartmore Shared Eq. Trust 2.4p
Gartmore Value Invs. 0.9525p
GATX $0.375
Glynwed Intl. 10¾% Un. Ln. 94/99 £5.375
Govett Strategic Inv. 11½% Db. '14 £5.75
Gracechurch Mort. Fin. FRN '19 £795.13
Grainger Tst. 11¾% 1st Mtg. Db. '24 £5.875
Do. 10.5% 1st Mtg. Db. 2024 £2.6466
Gt Port. Ests 9½% 1st Mtg. Db. '16 £4.75
Do. 10¾% 1st Mtg. Db. 2021 £5.375
Greenalls 8% Pf. 4p
Greenhaven Sec 7½% Un. Ln. 91/96 £3.75
Greenhaven Secs. 7½% Un. Ln. 91/96 £3.75
Greycoat Stppd. 1st Mtg. Nts. Apr. '02 £15,625
Haco 10⅝% Sevl Db. 2017 £5.3125
Halma 11% Pf. 5.5p
Hampton Tst. 10½% 1st Mtg. Db. '25 £5.25
Haslemere Ests 10¼% 1st Mtg. Db. 98/03 £5.125
Hill & Smith 14% 1st Mtg. Db. 2000/03 £7
Hiscox Seclect Ins. Fund 1.5p
Homer Fin. 3 A1 Mtg. FRN '36 £149.16
Do. Class A2 FRN 2036 £150.55
Do. Class A3 FRN 2036 £154.05
Housing Fin Crp 5% Db. 2027 £2.50
Do. 7% Db. 2009 £3.50
Do. 7% Db. 2009 (Ser. 2) £3.50
Hoyle (Joseph) 5% Pf. 1.75p
Inco Eng. Prods. 11% Db. 96/2001 £5.50
Investors Cap. 7¼% Db. 92/97 £3.625
Ivory & Sime Ent. Cap. Stppd Cv. Un. Ln. 2000 £2
Johnson Firth Brown 11.05% Pf. 5.525p
Johnston 10% Pf. 5p
Jones Stroud 10% Pf. 5p
Jupiter Intl. Green Inv. Tst. 1.7p
Do. UNITS 1.7p
Kakuzi KSh.0.75
Kelsey Inds. 11¼% Pf. 5.625p
Kingsley & Forester 3.85% Cm. Pf. 1.925p
Kunick 7p Cv. Rd. Pf. 3.5p
Do. 8.25p Cv. Rd. Pf. 4.125p
Land Sec. 10% 1st Mtg Db 2025 £5
Do. 10% 1st Mtg Db 2027 £5
Do. 6¼% 1st Mtg Db 1993/98 £3.125
Do. 9% 1st Mtg Db 1996/01 £4.5
Do. 8% Cv. Bd. 2008 £17.89
Do. 6⅞% Un. Ln 1992/97 £3.4375
Do. 7% Cv. Bd. 2008 £3.5
Leigh Ints 6% Cv. Pf 3p
Lombard Insurance 1.58p
Lon Cremation 10% Pf. 3.5p
Lon Merchant Secs 10% 1st Mtg Db '18 £5
Lonrho 10¼% 1st Mtg Db 97/2002 £5.125
Lookers 2.4p
Do. 8% Cv. Rd. Pf. 4p
Lydenburg Platinum R0.84
Malaya Grp. 0.25p
MEPC 3.65% Pf. 1.825p
Do. 9¾% 1st Mtg Db 97/02 £4.875
Do. 12% 1st Mtg Db 2017 £6
Do. 8% Un. Ln. 2000/05 £4
Marston Thompson 7% Un. Ln 93/98 £3.5
McCarthy Stone 7% Cv. Un. Ln 99/04 £3.5
Mercury Keystone Inv. Tst. 5% 1.75p
Morland 5% Pf. 1.75p
Mucklow (A&J)13¼% 1st Mtg. Db. 2000/05 £6.625
NatWest Smaller Cos. Inv. Tst. 2.3p
NEC Corp 5¾% Cv. Bd.'96 £28.75
NEC Finance 10⅝% Db.'16 £5.3125
Do. 13⅝% Db. 2016 £6.8125
NHL(1) Dfd. Int. Mtg. Bckd. FRN '28 £114.40
NHL(3) A1 Dfd. Int. Mtg. Bckd. FRN '36 £150.55
Do. A2 FRN 2036 £154.05
NK Properties Linked UNITS R0.338
New Throgmorton Tst.('83) 12.6% Db.'08 £6.30
Newcastle-upon-Tyne 11¼% Rd. 2017 £5.625
North Devon Water Board 4% Rd. 1996 £2
Northern Telecom $0.09
Oldham Met. Boro. Council 12.4% Rd.'22 £6.20
Oliver 5¼% Pf. 2.625p
Orient Fin. 8% £/$ Payable Cv. Bd. '95 £40
P & O Prop. 8% Un. Ln. 97/99 £4
Peel S-E 8¼% Un. Ln. 87/97 £4.125
Petroleos Mex. 14½% Ln. '06 £7.25
Plantation & Gen. Inv. 12% Cv. Un.'01 £6
Portsmouth Water 10⅝% Rd. Db. '95 £5.3125
Do. 3% Perp. Db. £1.50
Do. 3½% Perp. Db. £1.75
PUBCO 11¼% Sev. Db. 2006 £5.625
Ramsdens (Harry) 1p
RIT Cap. Part. 2½% Cv. Un. Ln. 2000 £1.25
Readicut Intl. 6% Pf. 1.05p
Do. 5¾% 2nd Pf. 2.0125p
Reckitt Colman Cap Fin. 9½% Cv. Bd. '05 4.75p
Renold 6¾% 1st Db. 90/95 £3.375
Rights Issues Inv. Tst. 2.5p
River Merc. Tst. 8½% Db. 89/94 £4.25
Royal Bk Can. Fltg. Rate Db. '05 $27.08
Royal Bk Scotland Ser. A Pf. $0.703125
Do. Ser. B Pf. $0.70
Do. Ser. C Pf. $ 0.59375
St. David's Inv. Tst. 3p
Scantronic 5¾% Cv. Rd. Pf. 2.875p
Scholl 5¼% Cv. Rd. Pf. 06/11 2.625p
Do. 8⅞% Sen. Pf. 2001/05 4.4375p
Schroder Split Fd. 1.8p
Scot. Mort. & Tst. 8-14% Stppd. Int. Db. '20 £7
Scot. Nat. Tst. Stppd. Pf. 3.350239p
Do. 10% Db. 2011 £5
Seagram $0.15
Securicor 0.805p
Do. A Non-vtg. 0.805p
Do. 4.55% Cm. Ptg. Pf. 21.175p
Sec. Tst. of S'land. 4½% Pf. £1.575
Do. 12% Db. 2013 £6
Security Services 1.686p
Serco 1.25p
Shaftesbury 8.5% 1st Mtg. Db. '24 £4.8904
Shell Trans. 5½% Cm. 1st Pf. 1.925p
Shires High Yielding Smaller Co's Tst. 1.2p
Shires Inv. 11% Cv. Un. Ln. 03/04 £5.5
Shoprite 0.6p
600 Group 3.15% Pf. 1.575p
Do. 4.55% 2nd Pf. 2.275p
Do. 11% Un. Ln. 1992/97 £5.5
Smith New Court 12% Sub. Un. Ln. '01 £6
Smith St. Aubyn 6% Pf. 2.1p
Do. 9½% 2nd Pf. 4.75p
Smith (WH) 5¾% Pf. 2.875p
Do. 3¾% Pf. 1.875p
SA Breweries 6.2% Pf. R0.062
Stag Furniture 11% Pf. 5.5p
Standard Chart.12⅞% Sb. Un. Ln. 02/07 £6.4375
Staveley Inds 5¼% Pf. 1.8375p
Sterling Inds 5½% 1st Pf 1.925p
S & U 6% Cm. Pf. 2.1p
Symonds Eng. 7½% Cm. Pf. 2.625p
Syndicate Capital Trust 1.25p
THFC (Indexed) 5.65% IL 2020 £3.2089
TSB Perp. FRN £165.73
Tate & Lyle 6½% Pf. 2.275p
Do. 8% Un. Ln. 2003/08 £4
Do. 10¾% Un. Ln. 03/08 £5.375
Temple Bar Inv. Tst. 4.7p
Thwaites (Daniel) 5% Pf. 17.5p
Torex Hire 0.3p
Tor Inv. Tst. 6% Pf. 2.1p
Do. 4¾% Pf. 1.6625p
Trafford Park Ests 11¾% 1st Mtg. Db. 07/10 £5.875
Transport Dev. 9¼% Un. Ln. 95/2000 £4.625
Treasury 15½% Ln. 1998 £7.75
Treasury 7¼% 1998 £3.625
Treforest Silk Printers 6% Pf. 2.1p
Triplex Lloyd 5½% Pf. 1.925p
Truck Funding FRN 1997 £165.73
Unigate 5% Un. Ln 1991/96 £2.50
Do. 6½% Un. Ln 1991/96 £3.25
UK FRN 1996 $115.00
VSEL 11% Un. Ln. 1996 £5.50
Vickers 5% Non-Cum Pf 1.75p
Do. 5% Pfd. £1.75
Do. 5% Pf. (Tax free to 30p) 2.5p
Volex 7% Pf. 2.45p
Warburg (SG) 7⅝% Pf 3.8125p
Warner Est 6½% Un. Ln 91/96 £3.25
Wells Fargo FRN 2000 $43.75
Westland 12⅜% Db 2008 £6.1675
Westpac Bk. Perp. Cap. FRN $220.49
W'bread 4½% Rd. Db. 99/2004 £2.25
Wigfalls 6¾% Un. Ln. 94/99 £3.375
Wilkinson & Riddell 5% Pf 2.5p
Williams Hldgs Cv. Pf. 4p
Do. 10¾% Pf. 5.375p
Wintrust 10½% Pf. 5.25p
Do. 5¾% Cv. Pf. 2.875p
Woolwich BS FRN '97 £135.87
■ SATURDAY OCTOBER 1
Airtours 6.375% Cv. Pf. 3.1875p
Allied-Lyons 9¾% Db. '19 £4.875
Do. 5¼% Un. Ln. £2.625
Do. 5¾% Un. Ln. £2.875
Do. 6¼% Un. Ln. £3.125
Do. 7½% Un. Ln. £3.75
Do. 7¾% Un. Ln 93/98 £3.875
Amberley 1p
Asda Prop 10⅝% 1st Mtg. Db. 11 £5.15625
Assoc. Brit. Eng. 0.05p
Austin Reed 8% Pf. 2.8p
BET 5% Perp. Db. £2.50
Brewin Dolphin 1p
Bank of Wales 13½% Sb. Un. Ln. 95/97 £6.75
Beales Hunter 7.15p
Bristol Water 12½% Rd. Db '04 £6.25
Do. 11.2% Rd. Db '05/09 £5.60
Do. 11¾% Rd. Db 2004 £5.875
Brit. Land (Jersey) 6⅝% Cv. Cap. Bd. '11 34.5945p
Britton Cm. Pf. 1.13424p
Brixton Est. 10⅝% 1st Mtg. Db. '12 £5.3125
Caffyns 10% Pf. 5p
Do. 6½% 1st Pf. 2.275p
Cape 8.4% Cv. Rd. Pf. 4.2p
Carclo Eng. 10½% Rd. Pf. 5.25p
Caverdale 0.1p
Cheam 3.15% 1st Pf. 1.575p
Do. 4.9% Pf. 2.45p
Do. 7% Pf. 3.5p
Ch'field Props. 5¼% Cv. Pf. 2.625p
Coastal Corp. $0.10
Conversion 3½% Ln. £1.75
Eksportfinans 10⅝% Nts.'94 C$106.25
Essex & Suffolk Water 9⅞% Rd. Db. 97/99 £4.9375
Do. 11.2% Rd. Db 2005/09 £5.60
Do. 11¾% Rd. Db 2002/04 £5.875
Do. 11½% Rd. Db 1995/97 £5.75
Farepak 4.75p
First Chicago $0.50
Fiscal Props. 7½% Cv. Ln. 2020 £3.4726
Fleming Contl. Euro. Inv. 5% Cm. Pf. 1.75p
Fleming Far Eastern Inv. 4½% Pf. 1.575p
Do. 5% Pf. 1.75p
Fletcher King 1p
GTE $0.47
Gen. Cons. Inv. Tst. 5½% Pf. £1.925
Glaxo 6¾% Un. Ln. 85/95 1.6875p
Grand Met. 4¾% Pf. 1.6625p
Hardys & Hansons 6% 2nd Pf. 2.1p
Hull Corp. 2½% Rd. 1938 (or after) £1.25
Do. 3½% 2nd Iss. £1.75
Illingworth Morris 6½% Pf 2.275p
Do. 6½% 2nd Pf. 2.275p
Johnson Matthey 5% Pf 1.75p
Do. 8% Cv. Pf. 4p
Leeds (City of) 13½% Rd. 2006 £6.75
Liverpool Corp. 3% Rd. 1942 (or after) £1.50
Do. 3½% £0.875
London (Corp of) 3% 2007 £1.50
Mansfield Brew. 11½% Db. 2010 £5.75
Menzies (J) 9% Pf. 4.5p
MEPC 10½% Un Ln 2032 £5.25
Mercury Keystone 7¾% Db.'20 £3.875
Do. 11⅜% Db. 2010/15 £5.6875
Metrop. Water 3% A 1963/2003 £1.50
Mid Kent 10% Rd. Pf. 5p
Mid-Sussex Water 12% Rd. Db. '10 £6.0
Do. 10% Rd. Db 2013/17 £5.0
MITIE 2.5p
Morgan Crucible 3.85% 1st Pf. 1.925p
Do. 3½% 2nd Pf. 1.75p
Owners Abroad Cv. Pf 4.875p
P & O 5% Pfd. £1.75
Port Lon. Auth. 3½% 49/99 £1.75
Prowting 8.8% Rd. Pf 4.4p
Ransom (Wm) 1.22p
Reading Corp. 3½% £1.75
REA FRN 1995/98 3.125p
Rep. New York $0.33
Sara Lee Corp. $0.16
SEP Indl. 0.45p
Sphere Inv. Tst. 5% Pf. 1.75p
Stewart & Wight 6% Pf. 0.75p
Stylo 4p
Taylor Woodrow 9½% 1st Mtg. Db.'14 £4.75
Tops Estates 7½% Cv. Un. Ln.'20 £3.75
Treasury 2½% 1975 (or after) £1.25
Volex 11.6p
Whitbread 5½% 3rd Pf 1.925p
Do. 5¾% Irrd. Un. Ln. £2.875
Wilshaw 0.4p
Wintrust 6.95p
Witan Inv. 8½% Db 2016 £4.25
Woolcombers 7½% Pf. 2.625p
Do. 6% 2nd Pf. 2.1p
Xerox Corp. $0.75
■ SUNDAY OCTOBER 2
Crest Packaging 2.75p

UK COMPANIES

■ TODAY COMPANY MEETINGS:
Merrydown, Horam Village Hall, Horam, East Sussex, 12.00
BOARD MEETINGS: Finals:
Allied London Properties
Atreus
Baring Emerging Europe Tst.
Close Brothers
Community Hospitals
Cornwell Parker
Enterprise Computer
Northern Leisure
Redrow
Interims:
Abbott Mead Vickers
Billam (J)
Brent Walker
Clarke Nicholls & Coombs
Culver Hldgs.
Hammerson
Herald Inv. Tst.
Hodder Headline
Inchcape
Jack (Wm)
Lyles (S)
Metalrax
Refuge
Schroder Split Fd.
T & S Stores
United Inds.
Universal Ceramic
■ TOMORROW COMPANY MEETINGS:
Assoc. British Engineering, Chamber of Shipping, Carthusian Court, 12, Carthusian Street, E.C., 11.30
Beverley Grp., Woodland Grange, Woodland Ln. Almondsbury, Bristol, 11
Farepak, Butchers Hall, 87, Bartholomew Close, E.C., 12
BOARD MEETINGS:
Finals:
Burn Stewart Distillers
China & Eastern Inv.
Dorling Kindersley
Goodhead
HCG Boyds Inv. Tst.
Halstead (James)
Mucklow (A & J)
My Kinda Town
Thornton Inv. Mngmt.
Interims:
Alexon
Baltic
Britton
Fortune Oil
Henderson Highland Tst.
House of Fraser
Huntleigh Tech.
Intermediate Capital
JBA
Sears
Tarmac
Transtec
Wensum Co.
Yule Catto
■ WEDNESDAY COMPANY MEETINGS:
Banks (Sidney C), Bedford Moat House Hotel, Bedford, 12.30
Mervier-Swain, Southam Road, Banbury, Oxon, 3.00
BOARD MEETINGS:
Finals:
Adwest
Beazer Homes
DCS
Frogmore Estates
Graystone
Henderson Eurotrust
MR Data Mngmt.
Quayle Munro
Regent Inns
Thorpe (FW)
Interims:
Dev. Securities
Erith
Global Grp.
Greenacre
McDonnel Info Systems
New Throgmorton Tst. (1983)
Quality Software
Ruberoid
Unichem
■ THURSDAY COMPANY MEETINGS:
Black Arrow, 748, London Road, Hounslow, Middlesex, 12
CRT Grp., Eastham Hall, E'ham, Wirral, 12
Govett Emerging Mkts. Inv. Tst., 4, Battle Bridge Lane, S.E., 12.30
Hadleigh Inds., Novotel Hotel, Ipswich, 1
Jacques Vert, 23, Plumbers Row, E., 10
OMI Int., 1-11, Hay Hill, Berkeley Square, W., 10
Pifco Hldgs., Stanneylands Hotel, Stanneylands Road, Wilmslow, Cheshire, 9.30
Platignum, 20, Greenfield, Royston, Herts., 9.30
Yorkshire Water, Pudsey Civic Hall, Dawsons Corner, Pudsey, Leeds, 11
BOARD MEETINGS:
Finals:
Betacom
Brackenbridge
European Leisure
F & C US Smaller Co's
Intereurope Tech.
SWP Grp.
Union Square
Interims:
Blockleys
Brightstone Props.
Flextech
French Connection
Garton Eng.
Helical Bar
Hopkinsons
Kynoch Grp.
Linton Park
MTL Instruments
New City & Commercial Inv. Tst.
Redland
Specialty Shops
Stylo
Trinity Hldgs.
■ FRIDAY COMPANY MEETINGS:
Beales Hunter, Boulevard Walk, Radford Boulevard, Nottingham, 12
Dyson (J & J), Tapton Hall, Shore Lane, Sheffield, 12
Learmonth & Burchett, New Connaught Rooms, Great Queen Street, W.C., 10.30
Leigh Interests, Birmingham Metropole, NEC, Birmingham, 12
McKay Securities, 20 Parkside, 26-56, Knightsbridge, S.W., 12
Nobo Grp., Hammonds Drive, Eastbourne, East Sussex, 10
Wholesale Fittings, Institute of Electrical Engineers, Savoy Place, W.C., 10.30
BOARD MEETINGS:
Finals:
Chesterton Int.
Hidong Estate
Interims:
Atlas Converting Equipment
Camellia
Derby
Fine Decor
Fisher (James)
Fortnum & Mason
Hi-Tec Sports
Mediterranean Fd.
New Guernsey Securities Tst.
Norish
TDS Circuits
Tanjong

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until about six weeks after the board meeting to approve the preliminary results.

ARTS

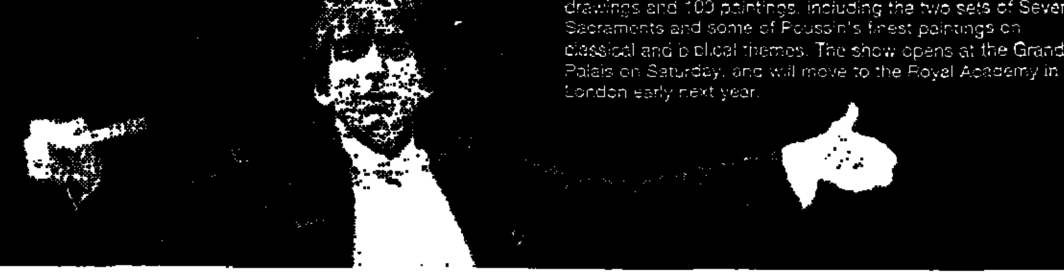
OPENINGS

CHICAGO
Even as rumours circulate that the Broadway version of "Angels in America" won't last out the year, Tony Kushner's Pulitzer, Olivier, and Tony Award-winning play enters another chapter as other productions open around the US.
The national touring production of Angels' first half, "Millennium Approaches", opened last night at Chicago's Royal George Theatre, with the second half, "Perestroika", joining it in repertory from Thursday. Another production of Millennium recently opened at Atlanta's Alliance Theatre; San Francisco's American Conservatory Theatre opens its version of both halves on October 12, while Houston's Alley Theatre launches its Angels next spring.

LONDON WEST END
After a successful summer season at the Birmingham Rep, the new New York musical "Once on this Island", greeted in Birmingham in July as "infectious", opens in London at the Island Theatre (formerly the Royalty) on Wednesday. An all-black cast, Afro-Caribbean music, a Caribbean theme. Lynn Ahrens has provided book and lyrics; Stephen Flaherty the music.

NEW YORK
The Metropolitan Opera opens its 1994-5 season tonight with a gala featuring the world's two leading tenors – Placido Domingo in Puccini's "Il tabarro" and Luciano Pavarotti in Leoncavallo's "I Pagliacci". Domingo also stars in Mozart's "Idomeneo", starting on Saturday, while Pavarotti sings in next week's performances of Puccini's "Tosca". The conductor on each occasion is James Levine.

BARBICAN LONDON
Riding high on the turbulent seas of London's orchestral life, the London Symphony Orchestra celebrates its 90th birthday in fine fettle this week. A gala concert on Thursday to raise money for its Endowment Fund brings together three conductors who are especially close to the orchestra, Michael Tilson Thomas (below), Colin Davis and Mstislav Rostropovich. Its big Mahler festival under Tilson Thomas also continues with the Second Symphony on Tuesday.



GOTHENBURG
Sweden's second biggest city celebrates the opening of a new opera house on Friday. Built to replace the small, antiquated Grand Theatre, the new $80m harbourside theatre is the result of decades of political wrangling over site and cost. The first three nights are gala performances featuring Ingvar Wixell and other distinguished Swedish singers. The first new production is Blomdahl's 1959 opera Aniara, opening on October 15.

PARIS
The main autumn exhibition is devoted to Poussin, marking the 400th anniversary of his birth. It brings together 140 drawings and 100 paintings, including the two sets of Seven Sacraments and some of Poussin's finest paintings on classical and biblical themes. The show opens at the Grand Palais on Saturday, and will move to the Royal Academy in London early next year.

The lottery: will it end in tears?

To some it could mean a golden age, to others extinction. **Antony Thorncroft** reports

Next year cash from Britain's national lottery will start to feed through to help the arts and usher in a new cultural golden age. That is the scenario. The reality could be that the arrival of the lottery will signal the closure of many arts organisations in the UK, in particular those whose survival depends upon getting lottery money. If their bids are unsuccessful, they will see little point in struggling on.

Almost daily, redevelopment plans are announced that are totally dependent on the lottery. This month alone in London the Riverside Studios launched a £3.3m appeal; the ENO a £40m-plus refurbishment programme; and the ICA a £25m drive next year.

These are on top of the Royal Opera House and the British Museum, both of which are thinking big: £100m or so; the South Bank, with £65m; Albertopolis at £150m – and on and on. Some of these started out as millennium projects but they are already hedging their bets and winking at the Arts Council's lottery department, which is bracing itself to receive up to 30,000 applications when the floodgate opens on January 1.

In theory, with predictions of £150m a year for the arts from the lottery at the start, rising to £320m, there will be plenty of money to spread around. In practice, too many arts companies will seek help immediately, and some will have their plans rejected. It might be better to delay an application for aid.

One reason why the Arts Council lottery satraps will turn down a supplicant is that they do not believe in the feasibility of its development plan. In theory arts companies must find some matching money through their own efforts: from local authorities, business, and private philanthropists. At one time the government hoped for 50:50 deals but the likelihood of conjuring up £150m a year from friends of the arts is obviously nonsense.

The Arts Council is already lowering its targets, to 35 per cent self-generated funds for large organisations, even less for smaller, but it would still be be remarkable if many arts companies could raise such sums. Many will fall at this hurdle.

Where will the self-generated money come from ? Business is the obvious answer, but companies will not want to scatter their funds around. Boards might choose to support just Covent Garden or the National Theatre's modest £4m appeal, or that of a local theatre or arts centre. There is also the real danger that if they do rally round the arts on these capital projects they will cut back on their sponsorship of performances, on backing a new opera production or concert tour.

Rather belatedly, other companies are starting to realise that there must be money to be made from these vast new lottery expenditures. Accountants Moore Stephens has been quick off the mark in forming an arts and heritage group under Stephen Clarke which will advise arts companies on how they can best organise themselves to take advantage of lottery revenues. The Almeida, the Young Vic and Stratford East have been advised on their management and financial practices, and Moore Stephens is also helping the Lowry project in Lancashire come up with a business plan.

The feeling is that the private sector will only help arts companies with substantially more money if there is some commercial advantage for them. The government is unlikely to offer tax breaks, so perhaps arts organisations themselves could come up with some profit-sharing schemes.

The obvious example is brewers weighing in with cash for redevelopment in return for bar and catering concessions in refurbished buildings. Computer companies might also help if rewarded with the task of modernising the box office system. Foreign touring by an arts organisation could interest a corporate supporter keen to open up contacts in export markets.

Alternatively, companies might be attracted by the idea of debentures (which famously got the Albert Hall built), or guarantees of free tickets for their workforces, or having the new building carry a company name (like the Toshiba link with the ICA announced this week), or space in the theatre or opera house set aside for corporate use. The new £42m Royal Armories in Leeds has attracted money from companies like 3i and Yorkshire Electricity which feel that the museum, and the surrounding commercial developments, could be profitable.

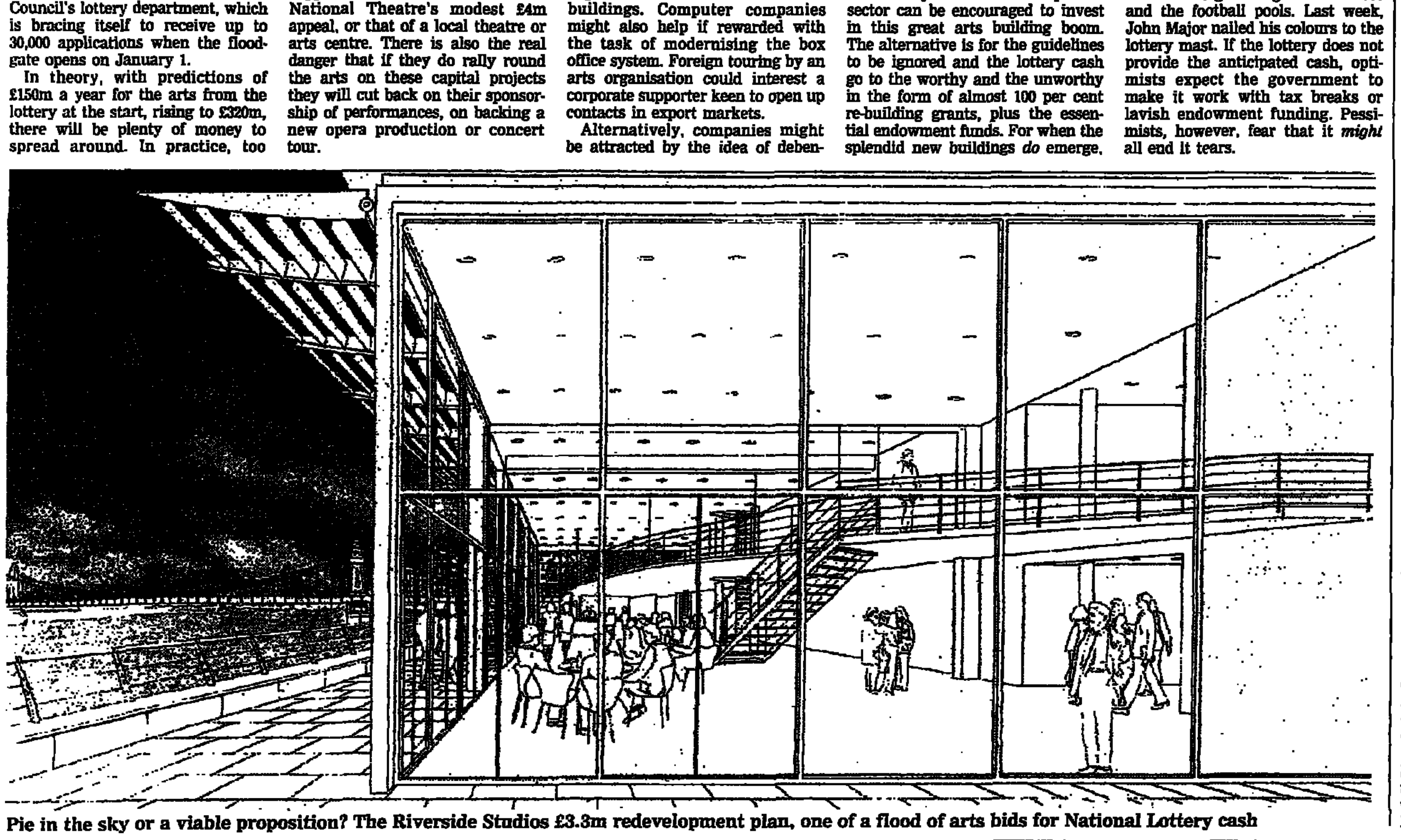
No one imagines that the financial return from funding arts regeneration will be anywhere near usual business targets. But if directors and shareholders can convince themselves that they are getting something in return for their cash they might accept their wider responsibilities to the community and to the cultural life of the nation.

One of Stephen Dorrell's first tasks as heritage minister will be to devise ways in which the private sector can be encouraged to invest in this great arts building boom. The alternative is for the guidelines to be ignored and the lottery cash go to the worthy and the unworthy in the form of almost 100 per cent re-building grants, plus the essential endowment funds. For when the splendid new buildings *do* emerge, the cost of staffing them, and filling them with plays, music, and art worthy of the setting, will have to come from somewhere.

One thing already seems obvious: the larger organisations will have a head start over the smaller, not only because they are more commercially sophisticated but because they can call on more influential names to head their appeals. One of the incidental joys of the whole process will be to see how these grandees perform as fund-raisers.

Will that scion of the great and the good, Sir Claus Moser, who heads the British Museum's ambitious £100m redevelopment plan (Princess Margaret is patron) steal a march over ex-Tory party money man Shaun Woodward, who is master-minding the ENO capital project and is married to a Sainsbury. Now is the time to nab your mover and shaker.

It could all end in tears. There are some who do not believe that these vast new sums will emerge from thin air. What if the lottery is a disappointment and the British public sticks to gambling on the horses and the football pools. Last week, John Major nailed his colours to the lottery mast. If the lottery does not provide the anticipated cash, optimists expect the government to make it work with tax breaks or lavish endowment funding. Pessimists, however, fear that it *might* all end it tears.



Pie in the sky or a viable proposition? The Riverside Studios £3.3m redevelopment plan, one of a flood of arts bids for National Lottery cash

Concert/David Murray

Brindisi, ten years on

Though it has reached its 10th anniversary, the members of the Brindisi String Quartet are still quite young. Without making any great splash along the way, it has become known among aficionados of the medium as one of Britain's best quartets. It played at the Wigmore Hall on Thursday.

Expert, judicious, selflessly intent upon the music and respectful of the great performing tradition: thus far, one might suspect that the players listen to other people's recordings more than is good for them. But they also make a point of playing 20th-century music, often new works, and in the classics – like Schubert's C major Quintet this time, with Anthony Pleeth as second cello – their "standard" readings are lit by the immediate grace and conviction of their playing, and the lively balance of their collective sound.

In the Schubert masterpiece, every major point in living, breathing sound was registered; radical new insights would have been superfluous. Alban Berg's op. 3 Quartet, however, demands committed individual imagination from each player, and it got that in full measure, reinforcing my conviction that this early-ish Berg work is one of the seminal – and most completely realised – quartets of our century. Even its most consciously outré effects have an exact expressive sense, which the Brindisi team regularly sought and found.

It also revived the 1931 Quartet by the American Ruth Crawford Seeger (wife of Charles, mother of Pete) to bracing effect. Ms Seeger, who died in 1953, was a rigorous but highly inventive composer before she sacrificed her career to her husband's musical interests. Her Quartet tingles with spiky ideas, sharply carried through. In a feminist canon, it deserves a place alongside Elizabeth MacConchy's and Sofia Gubaidulina's quartets.

The Brindisi's first violin is a woman, as it happens: Jacqueline Shave, almost the only female leader of any established quartet. She is the ideal *prima inter pares* – a democratic part-player among the other three (another woman and two men), yet she wields quiet musical authority whenever the score needs a dominant voice. We could do with more like her.

Opera in Zurich/Andrew Clark

Mascagni's 'L'amico Fritz'

There are no prizes for naming the composer of *Cavalleria Rusticana*. But what other operas did Pietro Mascagni write? He completed *Cav* in 1889 at the age of 26, and spent his remaining 55 years trying to emulate its success. The comparative failure of his other works has given him the reputation of a one-opera composer.

Now comes a production of *L'amico Fritz* which suggests that Mascagni's talents went further. The Zurich Opera has brought together an internationally-established tenor and soprano from Italy, Vincenzo La Scola and Daniela Dessi, and framed their performances in a staging which is pretty but never sentimental. The result is an evening of pure charm.

Mascagni was aware that some critics ascribed the runaway success of *Cav* to the stark realism of its libretto. For his next opera, he deliberately chose a weak subject – a rustic comedy set in Alsace – in order to highlight his gifts as a composer. The big surprise of *L'amico Fritz* is how familiar the tunes are.

There is an abundance of pastoral atmosphere, enriched by folk melody, an off-stage chorus and instrumental lines of disarming grace. The whole opera – only 90 minutes – has a consistency of inspiration which more than compensates for the flimsy plot.

Fritz is a wealthy, middle-aged bachelor who offers his vineyard to the local rabbi as a wager that he will not marry. He promptly falls in love with Suzel, daughter of one of his tenants. The vineyard is returned as a wedding present, and all live happily ever after.

The gentle colours and idyllic setting of *L'amico Fritz* have more in common with *La Sonnambula* than verismo and, like the Bellini, it depends on a first-rate cast, a sensitive stage director and supportive conductor.

The Zurich Opera duly obliged. The production was staged in nearby Winterthur, as part of a campaign to make the canton of Zurich (rather than the city) responsible for funding the Zurich Opera House. There was no drop in standard for the out-of-town venue.

As Fritz, La Scola hit every note confidently and stylishly, without a trace of false emotion. The Italian tenor's performance was poetic, capturing the shift in character from misogyny to self-doubt and open-hearted emotion.

He found a radiant partner in Dessi's Suzel. She may not be the *bambina* of Fritz's description, but she was comely and demure, and her classic lirico spinto soprano sounded in peak condition. There was strong support from the rest of the small cast, particularly Stefania Kaluza in the trouser role of Beppe.

Grischa Asagaroff's staging, designed by Marouan Dib and Jan Skalicky, was admirably clear, but too brightly lit.

The Winterthur orchestra thrived on Manfred Honeck's direction. And despite its modern, concrete appearance, the Theater am Stadtgarten contributed a pleasantly warm acoustic.

INTERNATIONAL
ARTS GUIDE

■ BERLIN

OPERA/DANCE
Deutsche Oper The main event this week is the first night on Wed of John Dew's new production of Andrea Chenier, conducted by Rafael Frühbeck de Burgos, with a cast headed by Lisa Gasteen, Richard Margison and Alexandru Agache. Repertory also includes Un ballo in maschera, Der Rosenkavalier, Fidelio and a Balanchine programme (341 0249)
Staatsoper unter den Linden A new production of Rossini's 1813 Ferrara version of Tancredi can be seen on Wed, Sat and next Tues, conducted by Fabio Luisi and staged by Fred Berndt, with a cast headed by Jochen Kowalski and Lynne Dawson. The Venice version of the same opera follows on Oct 6, with a different cast. Repertory also includes the Nureyev production of Glazunov's ballet Raymonda (200 4762/2035 4494)
CONCERTS
Philharmonie Tomorrow: Pierre Boulez conducts Ensemble InterContemporain in works by Webern, Boulez and Ligeti. Wed, Thurs: Boulez conducts Berlin Philharmonic Orchestra and BBC Singers in Webern and Stravinsky (the BPO goes on tour to Japan with Claudio Abbado Oct 6-15. Its next Berlin concerts are Oct 21, 22 and 23). Sat: Berlin Oratorio Choir in Dvořák's Mass in D. Sun morning: Michael Schoenwandt conducts Berlin Symphony Orchestra and Philharmonic Chorus in Beethoven's Ninth Symphony. Oct 4: Anne Sophie Mutter. Oct 5: Jessye Norman. Oct 6: Alfred Brendel (2548 8132)
Schauspielhaus Thurs, Fri, Sat, next Mon afternoon: Michael Schoenwandt conducts Berlin Symphony Orchestra and Philharmonic Chorus in Beethoven's Ninth Symphony (2090 2156)

■ NEW YORK

OPERA/DANCE
Metropolitan Opera The 1994-95 season opens tonight with a gala performance starring Placido Domingo in Puccini's Il Tabarro and Luciano Pavarotti in Leoncavallo's I Pagliacci. Teresa Stratas and Juan Pons sing in both operas, which are conducted by James Levine. Tomorrow, Sat afternoon: La boheme. Wed: Rigoletto. Fri: Il tabarro and I Pagliacci with Luis Lima and Pavarotti. Sat evening: Idomeneo with Domingo (repeated Oct 4, 7, 10). Next week's performances include Tosca with Pavarotti. The first new production is Shostakovich's Lady Macbeth of Mtsensk, opening Nov 10 (362 6000)
State Theater New York City Opera's autumn season runs till Nov 20. This week's performances are daily except tonight and Thurs, and feature Delibes' Lakmé, Borodin's Prince Igor, Il barbiere di Siviglia, Carmen and Tosca. Prince Igor is a new production conducted by Guido Ajmone-Marsan and choreographed by Damian Woetzel of New York City Ballet (870 5570)
CONCERTS
Carnegie Hall The new season begins on Thurs with a gala concert featuring the Academy of St Martin in the Fields in a Mozart, Rossini and Berlioz programme, conducted by Neville Marriner, with mezzo soloist Cecilia Bartoli. Marriner also conducts Elgar and Tchaikovsky on Fri, with violin soloist Leila Josefowicz. Sanford Sylvan gives a song recital on Fri in Weill Recital Hall. Valery Gergiev conducts the Kirov Opera Orchestra on Sat evening and Sun afternoon, in two programmes including Shostakovich's Eighth Symphony and Rakhmaninov's Second (247 7800)
Avery Fisher Hall Kurt Masur conducts the New York Philharmonic's concerts this week and next. Tomorrow: Weber, Schubert and Bartók. Thurs, Fri afternoon, Sat, next Tues: Dvořák and Prokofiev (875 5030)
THEATRE
● Philadelphia, Here I Come!: Roundabout Theatre Company's revival of Brian Friel's 1966 Irish drama, with Milo O'Shea, Robert Sean Leonard, Jim True and Pauline Flanagan. Directed by Joe Dowling (Roundabout, Broadway at 45th St, 869 8400)
● Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, 2162 Broadway at 76th St, 239 6200)
● Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millennium Approaches, part two Perestroika, played on separate evenings. The cast includes F. Murray Abraham (Walter Kerr, 219 West 48th St, 239 6200)
● King Ubu: Paul Todaro directed and stars in this production of George Rand's deft new translation of Alfred Jarry's *fin-de-siècle* satire. The Independent Theatre Company gives a diverting and campy spin to the nasty, low-down goings-on. Till Oct 8 (House of Candles, 99 Stanton St, 353 3088)
● An Inspector Calls: J.B. Priestley's 1945 mystery in a stunning re-interpretation by Stephen Daldry, first seen at Britain's National Theatre (Royale, 242 West 45th St, 239 6200)
● Guys and Dolls: a top-notch revival of the 1950s musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200)
● Kiss of the Spider Woman: pop star and ex-Miss America Vanessa Williams has taken over the title role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200)
● Crazy For You: Gershwin's tunes and Susan Stroman's choreography are the central pleasures of this light and frothy entertainment, now in its third year on Broadway (Shubert, 225 West 44th St, 239 6200)

■ PARIS

CONCERTS
Myung-Whun Chung conducts the world premiere of Messiaen's Concerto for four solo instruments and orchestra tonight at the Bastille, with soloists including Mstislav Rostropovich, Heinz Holliger and Yvonne Loriod (4473 1300). Zoltan Pesko conducts the Orchestre Philharmonique de Radio France on Sat at Maison de Radio France in works by Ligeti, Kurtag and Janáček, with soprano Phyllis Bryn-Julson (4230 1516). The next Orchestre de Paris concerts at Salle Pleyel are on Oct 5 and 6, when Semyon Bychkov conducts Mahler's Fifth Symphony (4563 0796)
OPERA
● The opening production of the season at the Opéra Bastille is Simon Boccanegra, conducted by Myung-Whun Chung and staged by Nicolas Brieger, with a cast headed by Vladimir Chernov, Kallen Esperian and Roberto Scandiuzzi (next performances Fri evening and Sun afternoon, continuing till Oct 14). Bob Wilson's version of Madama Butterfly is revived on Thurs with Miriam Gauci in the title role, with nine further performances till Oct 22 (4473 1300)
● The new Ring production at the Châtelet continues with Siegfried on Oct 14 and Götterdämmerung on Oct 16. There will be two complete Ring cycles between Oct 31 and Nov 13 (4028 2840)
DANCE
● One of France's leading young choreographers, Philippe Decouflé, is in residence with his troupe daily till Thurs at Théâtre de la Ville (4274 2277)
● The Paris Opéra Ballet's 1994-95 season takes place mainly at the Opéra Bastille. It opens on Oct 25 with the traditional Grand Défilé, followed by Balanchine's Le Palais de cristal (Symphony in C) to Bizet, The Four Temperaments to Hindemith and Jerome Robbins' Glass Pieces to Philip Glass (12 performances till Nov 17). The season also includes a young dancers programme, Nureyev's Swan Lake, a mixed bill including works by Balanchine and Martha Graham, John Neumeier's Magnificat and a Nijinska-Nijinsky programme. (4742 5371)
JAZZ/CABARET
American vocalist Artie "Blues Boy" White and his band are in residence this week at Lionel Hampton Jazz Club. Oct 3-15: blues singer/guitarist David Dee. Music daily from 10.30pm to 2.00am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, (4068 3042)
FESTIVAL D'AUTOMNE
The programme includes Peter Stein's Moscow staging of the Oresteia (Oct 9-15), a Bob Wilson adaptation of Dostoyevsky (Oct 11-23), Robert Lepage's Seven Streams of the River Ota (Nov 18-26) and The Merchant of Venice directed by Peter Sellars (Dec 6-17). The dance programme is headed by Trisha Brown Dance Company (Nov 3-12), and there is a special focus on the music of Gyorgy Kurtag (Festival d'Automne à Paris, 156 rue de Rivoli, 75001 Paris. Tel 4296 1227 Fax 4015 9288)

ARTS GUIDE
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Samuel Brittan

Economics without crystal gazing

The most hard-nosed financial commentators should have sat up and taken notice when Prof David Currie, head of the London Business School forecasting unit, recently suggested a policy objective for nominal GDP as an improvement on the present UK policy framework, which supposedly targets inflation and nothing else.

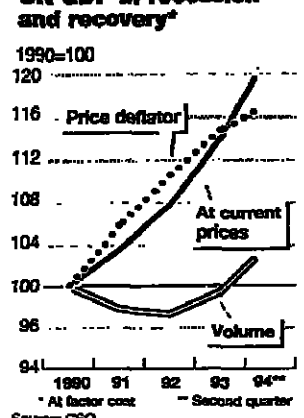
Prof Currie has, in the past, been a Labour adviser whose name has been mentioned in relation to top official advisory jobs. Of course he is not the only influence on Labour policy; and the new Labour leader, Tony Blair, is far from a sure shot for the next election. But it is still surely worthwhile to take note of Currie's suggestion, as well as of what the bond market is supposed to "think". In fact, the arguments for a nominal GDP framework speak for themselves, irrespective of politics; and the governor of the Banque de France, Jean-Claude Trichet, recently used the concept in discussing economic developments in his own country.

Prof Currie argues that a nominal GDP objective would be a good compromise between an output objective and one for inflation alone. There are many other arguments and nuances (some of which were given in my Economic Viewpoint of September 8). The one that is most relevant now is that it makes policy a little less dependent on being able to project the course of the economy for several years ahead than the present Treasury and Bank of England framework does.

It will be a sign that nominal GDP is taken seriously when analysts go beyond debating the concept and start looking at the numbers.

The Central Statistical Office gives two versions of nominal GDP – at market prices and at factor costs. (The latter excludes indirect taxes and subsidies.) The market price measure shows an increase of 5.8 per cent over a year ago; the factor cost one of 5.7 per cent – identical for practical purposes. The more fundamental factor cost estimate breaks down into a 3.8 per cent real rise in output and a 1.8 per cent increase in prices, as measured by the GDP deflator.

UK GDP in recession and recovery*



* At factor cost ** Second quarter
Source: CSO

Is a 5½ to 6 per cent annual rate of increase of GDP in cash terms too fast or too slow? If the policy were starting with output on its trend line and with minimum inflation, a 5 per cent objective would be appropriate. There would be room for 2½ per cent output growth and 2½ per cent measured inflation. (The latter would reflect hidden quality adjustments as well as acknowledging the difficulty of achieving literally zero inflation at short notice). But when an economy is still emerging from a severe recession an annual nominal growth of up to 6 per cent per annum is surely not too fast.

Unfortunately analysis cannot end here. For the growth of GDP – both nominal and real – has been swollen by a bulge in the erratically moving output of the North Sea sector. Indeed, when it suited its book, the Treasury was very keen to emphasise non-oil GDP. We know from the CSO estimates that real GDP, excluding oil, rose in real terms not by 3.8 per cent but by 3.2 per cent in the year to the second quarter of 1994. The CSO does not publish estimates for nominal GDP excluding oil; do-it-yourself arithmetic suggests that it rose by just over 5 per cent – which surely will be slow enough to satisfy the cautious school.

Even now we are not yet in clear water. The true best objective for a nominal policy framework is not nominal GDP itself, but a related measure called domestic expenditure. This is only available at market prices and includes oil. It has risen less than the GDP measure because it excludes net exports (that is exports minus imports) which have been on an improving trend. Indeed, the main reason for focusing on domestic expenditure is that it leaves room for a balance of payments improvement without making that improvement an objective of policy.

Thus the more national income figures are examined the more the economy seems to be on a steady-as-she-goes path. But it would be far too mechanical an application of a way of thinking, intended for broad policy guidelines, to go from here to denounce the recent half per cent rise in base rates. Looking at the whole world economy, including commodity prices and exchange rates, the balance of risks favoured a modest increase. If we look at the CBI monthly trends survey, this shows that, despite the small temporary blip in September, the rise in output is expected to accelerate and that the efforts of firms to increase prices are also slightly stronger. Both forces make a modest acceleration in aggregate spending seem more likely than a deceleration. In addition, future revisions of GDP growth rates are more likely to be upwards than downwards.

If the Bank of England wants to avoid excessive reliance on futurology, it will pause before pressing for further base rate increases. Instead, it might try its hand at producing rough trend lines for nominal GDP and related variables in more timely fashion than the official national income figures.

PERSONAL VIEW

Trade winds that bode only good

Mexico's **President Carlos Salinas**, vying to lead the World Trade Organisation, outlines its tasks

It was with a sense of relief and achievement that ministers and trade officials from around the world signed the agreements of the Uruguay Round in Marrakech five months ago. Seven years of difficult and often tense negotiations were rewarded by a global commitment to protect and continue nearly 50 years of successful multilateral trade policy.

The stakes were, and remain, huge. Trade has been the most powerful engine of economic growth since the second world war, driving a global increase in output and incomes. The resulting unprecedented prosperity – although it still eludes many in developing countries – has been crucial to maintaining the longest period of peace known to much of the world.

Trade is a central force in boosting economic activity, employment and welfare. It is the cornerstone in the increasingly complex economic interactions among the industrial countries and between these countries and others.

The states of eastern Europe and the former Soviet Union have shown courage in entering upon economic transition. To support their commitment to market principles, these countries need secure and expanding outlets for their products. They also need foreign investment which will only materialise if – and to the extent that – export opportunities are available.

In Latin America, Africa and parts of Asia and the Pacific, countries which have bravely worked to open their economies know that further progress, and their potential as thriving markets, depends on further development of an open, rules-based trading system. The poorest states, the sub-Saharan countries, also urgently need opportunities to expand trade. Development in this region is a priority for the world community.

All countries need the open, rules-based trading system that the Gatt has represented in its half-century of existence. Failing to complete the Uruguay Round would not merely have meant failure to move ahead on certain trade issues; it would have shattered confidence in the entire system.

With the successful conclusion of the Uruguay talks, two important tasks lie ahead. First, the participants who invested so much effort in reaching agreement must ensure the accord becomes reality by ratifying it before the end of the year. Otherwise, the Uruguay agreement risks becoming little more than an historical footnote.

Tony Andrews

President Salinas: 'Ratification is not a sufficient condition for the new organisation's success.'

The process of ratification must be treated with the same determination as the negotiations. To date, most participants – nearly 100 – have not completed the internal processes necessary for ratification. Although the deadline is three months away, it is disturbing that the pace appears slow in a number of capitals. Efforts to solve any outstanding problems they are experiencing should be intensified.

Second, Uruguay round signatories should start looking carefully at the needs of the new system to ensure the World Trade Organisation (WTO) functions effectively from the outset. Past experience has shown that the effectiveness of the international trading system cannot be taken for granted.

In this respect, the WTO must meet three basic conditions: it must be representative, reliable and responsive.

First, membership of the new organisation must be representative of world trade. Creating Gatt in 1948 with only 23 participants was appropriate, given the relatively restricted trade flows of that time. But today, the guiding principle should be universality – long the ideal of Gatt in which 123 countries, in all regions and at all stages of development, now participate.

More than 20 countries, including Russia and the Ukraine, are currently seeking admission into the multilateral trading system. Their producers, traders and trading partners need the clarity, predictability and protection that Gatt provides. We must all co-operate to ensure these countries are admitted promptly and satisfactorily.

'The World Trade Organisation must be representative, reliable and responsive'

Second, a solid and successful World Trade Organisation must be a reliable instrument and forum. In recent years, serious trade tensions have threatened to erode the reliability – and thus the credibility – of Gatt. Major improvements in the clarity of Gatt rules, the broadening of its mandate and reform of its dispute settlement procedures will increase the reliability of the multilateral trading system and help create a firm foundation for the WTO.

National governments may sometimes see advantages in not meeting their international obligations, and be tempted to act accordingly. This temptation can be overcome only if countries are committed to the system and realise that they share an interest in maintaining a rules-based regime.

Third, the trading system must be responsive to the evolving needs and challenges that the international economy will always pose if it is to retain political support.

This is nothing new: it is precisely through its adaptability that Gatt has demonstrated its resilience. I refer to the important reinforcement of its rules (on issues such as control of subsidies) through the Tokyo Round codes; to the special provisions for developing countries introduced in the 1960s and 1970s; and to agreements reached in the area of agriculture and textiles which became make-or-break issues in the integrated world economy of the 1980s and 1990s, but which did not seem remotely possible only a few years earlier.

Looking ahead, it is impossible to predict future challenges to world trade, but some issues are clear. Certainly, the relationship between the environment and trade is a priority. Governments, individually and collectively, must work to increase environmental protection without jeopardising the open and rules-based character of the future World Trade Organisation. Moreover, the increased exposure of our economies to the full force of international trade winds requires the gradual formulation of rules and co-operative arrangements between nations on regulation and competition.

Solutions in these and other politically delicate areas will depend on technical expertise and political engagement. Consensus-building will be a key element in this process.

The relationships between members of the new World Trade Organisation will become increasingly complex, as new countries join and existing members develop into full participants. It is, therefore, imperative that the WTO itself be effective, both technically and in its relations with members. It should dedicate itself not to offering solutions – for this is up to member governments – but to identifying options, to supporting bridge-building efforts, and in this way facilitating consensus. For this we depend on the highly qualified and dedicated Gatt staff, and on the legacy that Peter Sutherland will leave behind.

Only three months remain before the birth of the World Trade Organisation. Ratification of the Uruguay Round is a complex and delicate political process that will demand skill and commitment from all participants. Yet ratification – and I call for ratification *now* – is a necessary but not sufficient condition for the success of the new organisation. All countries must devote the highest possible level of engagement and support to ensuring the World Trade Organisation functions effectively and successfully from the outset.

Speaking for my country, Mexico, we are ready to contribute all our efforts to the successful launch of the next 50 years of the international trading system.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Setting a sensible nuclear agenda

From Ms Janet Bloomfield.

Sir, Following your excellent coverage of the nuclear Non-Proliferation Treaty PrepComm in Geneva ("Opposition to nuclear treaty grows", September 16), I was surprised that the FT failed to highlight the significance of the Liberal Democrats' conference decision to support a limited extension of the NPT.

By calling for the NPT to be extended initially for a limited period, and for further extensions of the treaty to be linked to progress on a worldwide convention to eliminate all nuclear weapons, the Liberal Democrats have taken on a commonsense agenda for practical measures to break the nuclear deadlock.

Menzies Campbell, Liberal Democrat foreign affairs spokesperson, made clear that the reasoning behind the policy is "to maintain the pressure on the nuclear weapon holding powers to meet their obligations under Article VI of the NPT".

The NPT has been accused of discrimination and Israel, Pakistan, India and Ukraine will not sign. Extending it indefinitely, as the government and Labour Party advocate, may mean that the present creeping proliferation becomes irreversible.

A new global treaty could be universally respected and ratified. CND looks forward to the Labour and Conservative parties supporting such a positive move.

Janet Bloomfield,
chairwoman,
Campaign for Nuclear Disarmament,
162 Holloway Road,
London N7 8DQ

Industry must highlight abuses

From Mr Peter R Willis.

Sir, Andrew Baxter's article ("UK alleges EC procurement malpractice", September 23) identifies a number of the obstacles to the application of the EC public procurement rules. However, it also underlines the general lack of awareness of this area of the internal market rules.

There are now half a dozen public procurement directives (rather than a single one), the earliest of which, covering the award of public works contracts, has applied to UK authorities since July 1973, some 20 years before the date indicated in the article. The latest directive, covering the award of contracts for services by both public and private utilities, was to have been implemented by July 1 this year. The UK has not yet done so and is therefore itself not entirely above criticism.

The rules allow those unfairly excluded from a public tendering procedure to apply to the national courts for an injunction suspending the procedure and also provide for an award of damages. At the same time, the Department of Trade and Industry and the European Commission are usually receptive to complaints about failure to comply with the rules. It is largely up to industry to highlight the abuses so that the institutions can act.

Peter R Willis,
solicitor,
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19 avenue des Arts,
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Meaning of 'undertaking' must be clear

From Mr Peter Cooke.

Sir, Your leader, "Workers' rights" (September 21), refers to the real problem with the operation of the Acquired Rights Directive, namely the judgments of the European Court of Justice, including what you call the famous (some would say "infamous") Schmidt case. However, it reaches the wrong conclusion.

There is no fundamental reason to scrap the directive – after all, it merely places employees who are involved in the transfer of an undertaking in which they work in a similar position to those who are employed by a company, the ownership of which changes hands. The urgent need is to draw a clear, unambiguous and, most importantly, European judge-proof boundary to the meaning of "undertaking" for these purposes.

The paragraph you have referred to in the revised directive seems unlikely to achieve this. It is, in my view, necessary to import the concept of the transfer of a business as a going concern, a concept which should be relatively easy to translate into all legal systems of European Union countries.

Peter Cooke,
partner, Theodore Goddard,
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Record shows mutuality no handicap

From Mr R H Ranson.

Sir, Perhaps as the chief executive of the oldest mutual life assurance society in the world – The Equitable, founded 1762 – I might be permitted to join the debate on mutuality.

Mr Instone's comments (Letters, September 19) are unsubstantiated. An inspection of the published tables of the results of with-profits policies will show a domination by mutual offices. It is ironic that he comments on the difficulty of devising a voting structure for policyholders of a mutual. That may be true but at least they do have a voice and are not subordinated to the interests of proprietors.

The Equitable can offer more than 230 years of living proof of the successful application of the mutual concept. Our sole aim is, and always has been, to deliver services and benefits at cost to our policyholders. The advantages of that dedication are evident from our record. We have the lowest costs in the industry, we have the most advanced systems, we attract the highest amounts of annual premium new business, we have the lowest lapse rate, our "maturities" are consistently in the top few across all products and durations, surrender values are "competitive", etc. All of that has been achieved without raising a penny from outside sources.

It is fashionable to knock the concept, but a society run on mutual grounds concentrating wholly on benefits to members and not answerable to outside interests and influences can be one of the most effective forms of incorporation. It is far from being the handicap envisaged by Mr Instone.

R H Ranson,
managing director and actuary,
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Company finances could be hit by pensions solvency standard

From Mr Trevor Crowter.

Sir, Barry Riley is quite right to point out that the proposed introduction of a minimum solvency standard for UK pension funds raises some very far reaching investment issues ("New benchmark worries UK pension funds", September 21).

More than that, it has potentially enormous financial implications for employers. If pension funds switch investment away from equities towards bonds, based on long-term historical investment returns, the cost of pension provision will increase substantially. On the other hand, if pension funds retain their strong equity bias to maximise investment return, there is a risk that large amounts of additional cash will need to be found in the future, due to their failing the solvency test.

It is encouraging that some of the implications of the proposed standard are now beginning to be recognised. However, I do not believe that the potentially highly damaging impact on the finances of British business has been considered sufficiently.

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FINANCIAL TIMES

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Monday September 26 1994

World Bank Group at bay

In the financial year ending June 1994, the International Bank for Reconstruction and Development, the commercial lending arm of the World Bank Group, made net disbursements to developing countries of *minus* US$731m. Such figures will be meat and drink to its critics. So too will the fact that administrative expenses have risen 60 per cent over the past six years, while gross disbursements have stagnated. Inevitably, the Bank is finding it difficult to convince the public that it knows what it is doing and is doing it efficiently and effectively.

What makes the task particularly difficult is the changed international climate. Historically, the Bank had two groups of supporters in industrial countries: cold-warriors and do-gooders. The first group has now disappeared, while those who claim to have the interests of developing countries at heart now condemn the Bank for its stinginess, its heavy-handedness, its encouragement of environmental despoliation and its neglect of the cause of the poor.

For all its might, the Bank lacks friends and, lacking friends, is politically vulnerable. But it will achieve nothing by pretending to be what it is not. It is a large, international public organisation that must work with, and through, governments. Its brief is, in essence, to assist developing countries achieve rapid, poverty-alleviating growth. Again, there is no huge mystery about how this is to be achieved. East Asian developing countries have shown the way. The trick – difficult in most places and hitherto impossible in some, notably in Africa – is to help others follow the same path.

Economic returns

The Bank must confront its critics. If it is to be blamed for its failures, it must point to such successes as East Asian development and the green revolution. It must also reject the notion that its brief is to transfer resources, something that could be done better by a check-writing machine. The wasteful use of oil revenues by so many oil-exporting developing countries demonstrates that the mere availability of money does not ensure economic development. The question, instead, is whether lending brings satisfactory economic returns to borrowers.

True, the Bank has made big mistakes: over rural development lending, for example, the sustainability of the commercial bank lending of the 1970s and the durability of the "energy crisis". It is as important for the Bank to admit – and learn from – such mistakes as it is to stand up for itself. But the development record taken as a whole is not so bad. It can, and must, be defended.

Less bureaucratic

Yet if the Bank is to defend both itself and its core mission, it must also change. First, it must become leaner and much less bureaucratic. A start has been made on this. The recent proposal by Mr Lewis Preston, the Bank's president, to reduce the administrative budget by 6 per cent a year in real terms, will increase the pressure. Second, it must be more flexible. The one certainty in its environment is uncertainty. How many, just five years ago, foresaw the collapse of the former Soviet Union or the torrent of private capital pouring into middle-income developing countries? Third, it must be more aggressive with its critics, more aggressive with its clients, and also more aggressive, when appropriate, on behalf of its clients. The Bank cannot be all things to all people. If, for example, it believes there ought to be more generous official debt-relief for Africa, it should say so, loudly and clearly.

There is much debate inside and outside the Bank about what sort of future it might have. Some believe the prospect is one of genteel decline, as its activities are progressively limited to Africa and South Asia. Others believe it could become an integrator of ideas and money world-wide, even in countries that do not need its direction financial assistance.

Such choices do not yet have to be made. The challenges of eliminating extreme poverty and helping to integrate most of humanity within the global market economy remain huge. Notwithstanding its faults, the Bank represents a unique – and irreplaceable – repository of experience, skill and financial resources, dedicated to these tasks. Those assets must be used effectively. Their appropriate use must also be vigorously defended. These are the twin challenges confronting Mr Preston.

Mr Howard's mistakes

He – it has not yet been a she – who lives by headlines may perish by headlines. That is the danger facing Mr Michael Howard. It is partly of the home secretary's own making. He is aware, or should be, that the rise in crime that has aroused so much public anxiety is the product of complex causes, yet he has sought acclaim as the stern enforcer of criminal justice. He has presented himself as the scourge of criminals, while events have conspired to enable the media to picture his ministry as soft on prisoners and careless in its custody of terrorists.

A year ago, at the Conservative conference, Mr Howard presented a "27-point plan" to tackle crime. He then made every administrative and political mistake in the book. He distressed his officials, by curtly rejecting their advice. One by one the client groups under his ministry – police, magistrates, judges and all – were alienated. Then, under pressure, this "tough" minister retreated, as in the case of a recently recommended package for the reform of police pay and conditions.

The most spectacular defeats came in the House of Lords, where Mr Howard disdained to reach an understanding with Lord Whitelaw, and thus had to redraft key clauses of an important bill. This particular home secretary is not, however, solely to blame for the contents of the criminal justice bill or indeed the police and magistrate's courts bill. They were in draft form when his predecessor, now chancellor, left office.

The first bill was designed to correct previous, poorly-drafted, Conservative legislation, the second to extend central control over the constabulary and the magistracy. Both had some merit, and many infelicities. Mr Howard's fault lay in his exuberant pursuit of partisan victories in an area of governance in which consensus is usually preferable.

Political clumsiness

The political clumsiness he thus displayed may have the serious consequence of clouding the debate over the merits of the governments' attempts to reform the management of the country's jails. In theory the Prison Service, the new agency brought in to do so, should be more than a match for the Prison Officers' Association, one of Britain's few remaining obstructive trade unions. Mr Derek Lewis, the director-general of the service, has made an energetic start. He has introduced clear administrative structures, and advanced plans for transferring the management of specified prisons to private contractors.

Lax security

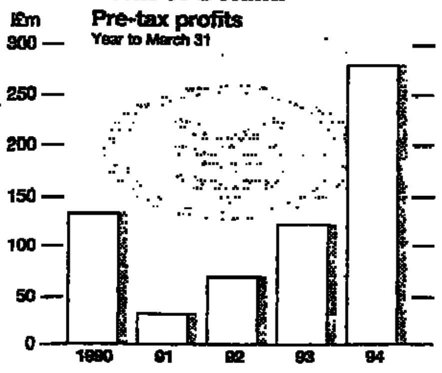
On paper, this should enable the public to see who is to blame when things go wrong. In practice it does not always work that way, as the POA loses no opportunity to point out. Was the decision to move convicted IRA terrorists back to Ulster "operational" and therefore Mr Lewis's to make or "policy" and therefore Mr Howard's responsibility? Who is to blame for the lax security at Whitemoor prison, where IRA prisoners have received guns, Semtex, and detonators? Is it the new governor, for inattention to detail, Mr Lewis for his regulations, or the Home Office for its rules?

The inquiry being conducted by Sir John Woodcock may provide a managerial answer to these questions, but it is the political reality that counts. The days when ministers might be expected to resign over any lapse in any corner of their departments are gone. Yet the creation of arm's-length agencies does not absolve the politician in charge from a duty of oversight. A good chairman leaves day-to-day control in the hands of a chief executive, but keeps antennae out at all times. If the agency system is to work with the requisite degree of transparency, this principle should be clarified.

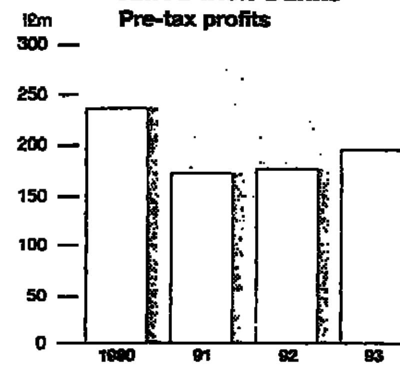
It is not axiomatic that the above history requires the sacrifice of Mr Howard. His presence in the cabinet is partly accounted for by his association with the Conservative right, and partly by his representation of Euroscepticism in one of the three high offices of state – the other two, the treasury and the foreign office, being filled by known pro-Europeans. Against that, he has presided over the loss of the Tories' advantage over Labour as the party of law and order. It is the prime minister's task to decide whether, on balance, Mr Howard's continuation in office is an asset to the government or a liability to his party.

Irish banks: the good old days

Bank of Ireland
Pre-tax profits
Year to March 31



Allied Irish Banks
Pre-tax profits



Assets in Republic of Ireland (1993)	I£bn
Bank of Ireland	7.58 *
Allied Irish Banks	8.42
TSB Bank	1.23
National Irish Bank	0.60
Woodchester Investments	1.50
Ulster Bank	3.70

* 1994

Challengers jostle in the queue

Competition from a 'third force' could soon disrupt the comfortable ways of Irish banking says John Gapper

After years of unchallenged domination in their home market, Allied Irish Banks and Bank of Ireland are entering a stressful era. Foreign banks are queueing up to challenge them; customers are protesting about charges and the level of financing for small businesses; and rivals such as building societies are forcing them to lower margins.

There is more to come for the two banks, which between them account for 70 per cent of banking in the Republic of Ireland, and nearly half of financial services. Next month, advisers are likely to set out how the government could auction TSB Bank, with assets of I£1.2bn. This may create the "third force" in Irish banking, called for by the ruling coalition of Labour and Fianna Fail when it was elected in 1992.

The government originally planned to merge TSB with two small government-owned finance houses for agriculture and industry. But instead of this unwieldy state-controlled group, a large and vigorous bank could emerge. The proposal prompted an approach to TSB earlier this year by National Australia Bank. It agreed with the TSB's trustees a I£102m offer to merge it with NAB's National Irish Bank.

This led to a counter-offer from National Westminster Bank's subsidiary, Ulster Bank. If NatWest wins an auction, it might try to buy National Irish as well, creating a bank with I£5.5bn of assets. This would be big enough to challenge AIB and Bank of Ireland. "If the government wants a real third force, then we are the right partner," says Mr Ronnie Kells, Ulster Bank's chief executive.

Yet even without a third force, Irish banking is entering a period of stiffer competition and consolidation. The I£183m flotation of the Irish Permanent Building Society next month will give the society access to capital markets so that it can make acquisitions. The two big banks are building up capital after a troubled period. Smaller players, such as the TSB, are seeking backing from sympathetic acquirers.

Meanwhile, barriers which stopped competition among banks, building societies and life insurers have broken down, leaving the big banks to protest that their oligopoly is more apparent than real. "There is a falsehood out there that we have got a grip on the market," says Mr Tom Mulcahy, chief executive of AIB. "On the street, we chase each other for customers," says Mr Pat Molloy, chief executive of Bank of Ireland.

But there are good reasons for foreign banks' interest in Ireland. Retail banking remains relatively profitable, with interest margins higher than in Britain and other European countries. Lehman Brothers, the US investment bank estimates that return on equity in the domestic retail market is about 40 per cent. This is double the 20 per cent overall return achieved by the most profitable European banks.

Furthermore, the Irish Republican Army's ceasefire has stimulated the interest of investors in what Morgan Stanley, the US investment bank, has called the "Celtic Tiger" of European economies. The economy is expected to grow by at least 5 per cent this year and next year. Inflation is low, and growth in loan demand has re-emerged after the shock of the European exchange rate mechanism crisis of 1992.

Ireland remains a tiny economy by European standards – its I£32bn gross domestic product last year was equivalent to just 5 per cent of the UK's GDP. Yet the prospect of steady, low-inflation growth, is very attractive for banks. It lessens the risk that bad debts will compress interest margins, as they have done in other countries. "I cannot remember a time when we have had such a high quality of loans," says Mr Mulcahy.

These factors have given the two banks a solid, profitable base. They have needed it in the past few years as they have struggled to clean up costly errors abroad. Both expanded in Britain in the 1980s too aggressively. Both have had to work out bad debts on corporate lending, and have now refocused their businesses on banking for Irish expatriates, and forms of secured lending such as residential mortgages.

Bank of Ireland's experience in the US (where AIB managed to avoid trouble) was even worse. It lost a total of I£180m over four years as a result of the New England real estate crisis, after buying First New Hampshire in 1988. "Our timing there was especially unfortunate. We bought just before the bubble burst," says Mr Molloy. The US subsidiary has now turned the corner, making a I£13m profit in the year to March.

Irish profits, and recovery overseas, have now prompted the banks to talk of renewed expansion abroad. AIB has made the loudest noises, talking of both US acquisitions to reinforce its Baltimore-based subsidiary First Maryland Bancorp, and perhaps buying a British building society. The banks reason that they cannot simply remain in Ireland if they are to compete alongside the emerging pan-European banks.

Yet even with the cash to spend, overseas expansion is not a simple matter. Both in Britain and the US, banks are bidding around twice the book value of smaller banks and societies to take them over. This makes it hard to achieve their required return on investments, even if they avoid pitfalls. "We will keep our money in our pockets if we have to. We are not going to make a purchase at any price," says Mr Mulcahy.

They may need to husband resources for the battle at home. Signs of this have emerged in the savings market, where the banks have narrowed margins by offering depositors higher rates. Mr Roy Douglas, chief executive of Irish Permanent, says that lending margins are also under pressure. "The banks are finding the mortgage market very attractive, and there is a lot more competition than a year ago," he says.

The big banks accept that competition will inevitably erode interest margins. In response, they are trying to boost their earnings from other sources. An obvious source of added income is fees and charges. These are state-controlled, although the banks can negotiate increases. Irish banks gain a lower share of their income from fees than those in countries such as Britain, despite widespread criticism by consumers.

The other possibility of added income is to sell more to their customers. The competition in the mortgage market is one sign of this: banks have also developed life insurance arms. "We have a very strong base that we have not always used. If we can market products better to our existing customers, it will have a powerful effect," says Mr Brian Wilson, director of AIB's Ireland division.

Yet banks are unlikely to be able to sustain their returns solely through adding to income. This will put pressure on them to cut costs, either by reducing staff and branches, or by taking over others and removing duplication. Such a process has been taking place in the US and other European countries. It will be harder to achieve in Ireland, where there is 15 per cent unemployment, and strong resistance to job cuts.

The possibility of cuts has already dogged part of the government's original proposal for a third force. The staff of Agricultural Credit Corporation – one of the two finance houses involved – protested at the potential cost of being merged with the Industrial Credit Corporation. It will also affect the TSB sale; bidders are likely to have to make pledges on jobs as part of their offers.

Mr Craig McKinney, chairman of the biggest Irish finance house, Woodchester Investments, says that a bid for TSB is only attractive if it can be rationalised. "To buy it with your hands tied behind your back does not make sense," he says. Without such cuts, its new owner may be unable to undercut the big banks' charges, which would undermine the original rationale for selling the state banks.

Such considerations are unlikely to hold outsiders back. Lord Alexander, NatWest's chairman, has stressed his bank's intention to preserve jobs if it wins an auction. Yet such pledges will not hold indefinitely. By the time the Irish banking market has consolidated, more than a few politicians and former bank clerks could be talking with nostalgia about the days before banks started to compete.

Jancis Robinson visits Burgundy where heavy rains have badly affected the wine harvest

Wet, wet, wet

The vineyards are a mire around Meursault in Burgundy. At lunchtime, low-paid pickers stomp into the village, clad in mud-spattered oilskins and rubber gloves. The village streets throb with tractors pulling loads of sodden grapes, all too often tinged brown with rot and covered with tarpaulins in an attempt to keep at least the last hour's drizzle from diluting the juice, and therefore the wine.

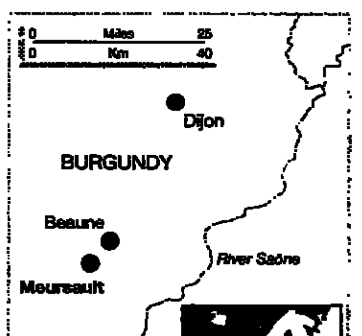
On backstreets, medieval courtyards are filled with the sound of a heavy duty hoses, desperately trying to keep the wine presses, trailers and hods clean. The mood is sombre.

The French wine industry badly needs a top quality wine harvest. Wine consumption in France has been plummeting, and French wine exports have fallen nearly 20 per cent in the last 5 years.

International rivals have been increasing their market share and undercutting French vineyards on prices – Chile, Argentina and South Africa are proving particularly fierce competitors, according to a recent report on the wine industry by Insee, the French national statistical office.

Together with the recession, these problems have pushed French winegrowers' prices steadily down since 1991, says the institute, with high quality *vins d'appellation* and champagnes the worst affected. There has been some improvement this year, says a researcher at Insee: "There is a strengthening of demand from French consumers, and a more marked improvement in some international markets," he says. "But there is still a long way to go to get back to the levels of a few years ago." Above all, France does not need another year of declining production. Total production fell by 19 per cent in 1993, thanks, largely, to bad weather. "The harvest was greatly affected by rain," says Insee.

This year, Burgundy, like the rest of France, enjoyed an unusually hot summer. At the end of August the grapes were riper and healthier than usual. It seemed as though this could be just the vintage France needed, but farmers such as these know better than to bank on the weather.



In the first week of September the rain set in, and continued almost daily to make this the most miserable vintage since 1984 according to optimists – and since 1947 according to pessimists.

At present, the quality of the eventual wines can only be guessed at.

There will probably be some good white wines, for rot is by no means disastrous for white grapes and the acidity levels will please those who like their white wines sharp. The best sites and best kept vineyards, such as Dominique Lafon's Meursault-Perrieres, can boast tiny relatively healthy grapes which should yield modest amounts of concentrated wine.

It is the red grapes which will take the strain of all this rain, particularly where yields are high. Rot destroys pigment; and the skins – so necessary to red wine making – can taint the final wine. This will be one of those (many) vintages about which the wine trade will be able to boast "the strictest selection is necessary; buy only from a reputable merchant such as ourselves".

Those who are already practising "organic" and even "biodynamic" chemical-free vine-growing techniques are boasting of markedly healthier grapes than their neighbours in such damp conditions.

One prominent example is Lalou Biz-Leroy, "the queen of Burgundy", whose vineyards this year were treated not only to ground nettles applied according to phases of the moon but also to various tisanes applied from a helicopter.

Her traditional wooden open-topped (computer-controlled) fermentation vats are full of healthy, small bunches of Pinot Noir grapes which will doubtless become yet another vintage of Domaine Leroy bottles for the world's collectors to argue over.

This is little comfort to a bedraggled stream of tourists, cycling through the vineyards on pre-arranged routes from one three-star hotel to another. Small groups were last week wheeling disconsolately around the village of Meursault, mystified that in the frenzy, and gloom, of the picking season, no one could find the time to sell them a bottle or two of world famous Burgundy.

But while the tourists trudging around France's wine region in the rain, or loitering longer than they would choose in their hotel rooms, may have been miserable, this has only been a damp holiday. For the vignerons the loss will be in their income, and, in some cases, their reputations.

OBSERVER

Learning by doing

Hardly a vote of confidence, one would think, when OECD secretary general Jean-Claude Paye's *chef de cabinet* quits just when Paye himself is struggling to hold on to his own job.

Not a bit of it, apparently. It is with Paye's express blessing that John Llewellyn leaves the government-owned think-tank in Paris's elegant 16th *arrondisement* to become top economic guru in Lehman Brothers' London office.

The embattled boss, it seems, has long felt that the OECD could improve its analysis of financial flows. The hope is that Llewellyn, now 50, may one day return to build up the expertise in that area.

It seems pretty unlikely, though, that Paye will be around to witness any such return himself. With his contract expiring this Friday, he is now supported for a third term by a slim majority of the OECD's 25 member countries. But that is of little use when the US shows no sign of changing its mind over the intention to veto the incumbent's reappointment.

Stars and swipes

■ John Major has been accused of many things. But it seems a bit rich that the UK prime minister should be expected to carry the can over the OECD impasse.

Some frustrated member states claim that America would never be holding out against a third term for Paye had not Major set a precedent by vetoing Jean-Luc Dehaene, the Belgian prime minister, for presidency of the European Commission.

But, as the Japanese can surely testify after suffering months of battery at the hands of US trade negotiators, the Clinton administration hardly needs lessons from other countries on how to go into battle to defend its own economic interests.

Docks in the dock

■ John Lenanton, a family-owned timber processor and one of London's oldest industrial companies, is on the point of abandoning its home of the past 157 years. A few well-chosen words from the chairman will be in order, no doubt?

Not a bit of it. John Lenanton, great grandson of the founder, cannot wait to exchange the Isle of Dogs in Docklands for a new base in leafy suburban Berkhamsted. After 44 years with the company, he will "walk away from the area and never look back".

No longer using the Thames to transport its timber, the company is poorly located as regards the bulk of its customers in the construction industry. The principal effect of

'He's a missing link's missing link'

fronting on to the river these days is that the masonry is in constant need of attention.

Fair enough, but Lenanton adds that he has experienced almost no advantage from the wave of investment in Docklands, while the locals are dismissed as a "load of whingers".

A lack of sentimentality not presumably applauded by the London Docklands Development Corporation.

Canary silenced

■ The Corporation of London, meanwhile, is cock-a-hoop that BZW and its 4,000 employees have been dissuaded from setting up shop in Canary Wharf. Currently scattered around the City in numerous buildings, the investment bank had been poised to combine its operations under one roof on the Isle of Dogs. But a memo was circulated to staff at the end of last week to the effect that "the overall economics" of the move would not prove "sufficiently attractive".

The Corporation, meanwhile, has worked out that, if an organisation has to pay its people incentives worth, say, £2,000 to move to this less than fashionable part of town, it is effectively spending £10 more per square foot in rent. A nifty little calculation that has apparently been drawn to the attention of BZW's chairman Sir Peter Middleton fairly recently.

Pigeon spy

■ As any self-respecting pigeon knows, Switzerland is not a bad place to fall sick or get hit. Any bird found injured while overflying the country is dispatched to the army's pigeon base in Bern, where it is revived, fed and sent on its way. But not for long.

The Swiss army has decided to send its 30,000 carrier pigeons packing – and with it the international rescue service.

For 77 years, the birds have rendered solid service in field communications. They take a mere 10 days to train; they have proved highly reliable in all weathers and over varied terrain; and they cannot be tapped or jammed.

They are even well camouflaged. Civilians are indistinguishable from soldiers, the only clue being that the former are sent on mission in pairs. There has never been a case when at least one has not made its destination.

While the feathered fowl normally made flights between just two command posts, they had been working up to tackling the greater challenge of three-way journeys.

Disbanding the troop, meanwhile, saves SFr600,000 a year – which is hardly a fortune. But technology wins the day. The 266 pigeon trainers will be immediately redeployed, while the pigeons have a year's respite.

Thereafter a lucky few may just be adopted by the federal civil service.

Inglish as spoke

■ Look out for a hot new journal called Financial Engineering and the Japanese Markets, soon to produce its first number.

The official publication of the Japanese Association of Financial Econometrics and Engineering, it promises two unmissable research papers.

One treats 'Asset Price Prediction Using Seasonal Decomposition', while the other is all about 'Estimating Unknown Join Points: Determination of the Yen-Dollar Exchange Rate'.

FINANCIAL TIMES
Monday September 26 1994

US officers meet Haitian leaders after gun deaths

By James Harding in Port-au-Prince and George Graham in Washington

Haiti's military leaders met US officers yesterday after the first deadly conflict since US troops landed a week ago left a reported 10 Haitians dead and a US sailor slightly wounded in the northern city of Cap Haitien.

President Bill Clinton, who will address the UN General Assembly today, regretted any loss of life, but warned that US troops would continue to respond to hostile action against them.

The conflict on Saturday evening around police offices in Cap Haitien has highlighted difficulties surrounding the intervention, which has been carried out like a combat operation in hostile territory, in spite of an agreement to work with Haitian military authorities.

The incident may also prompt international criticism of the US over what some might see as an excessive use of force.

However, in the US, Senator Sam Nunn, the chairman of the Senate armed services committee and a member of the former President Jimmy Carter's team which negotiated the Haitian generals' agreement to leave power, said there might be more such incidents. "This is the first bad incident we've had involving, directly, American troops, but it won't be the last . . . It's regrettable, but remarkable we haven't had more," he said.

Under an agreement reached last week, the military government, which seized power in a bloody coup in September 1991, promised to co-operate with US forces to restore elected president Jean-Bertrand Aristide.

General Raoul Cédras, Haiti's military leader who has agreed to step down by October 15, was flown to Cap Haitien yesterday with Mr William Swing, the US ambassador, and General Henry Hugh Shelton, the US commander of the Joint Task Force in Haiti.

The trio were understood to be meeting Haitian military and police officials to ensure their co-operation with US forces in the area" and to reduce tension after Saturday night's killings.

A US marine patrol is understood to have opened fire when Haitians at the police headquarters apparently fired on their unit, injuring one naval translator in the leg. The marines then "entered the first floor of the building and cleared that up", according to US embassy officials in Port-au-Prince.

Ten Haitians were reported killed and five others detained. US officials added that they had recovered two .38 revolvers and one M1 rifle from the dead.

Germans fend off Polish gnomes

Continued from Page 1

can apply for the licence to copy and produce a German garden gnome. Mr Franz Sikora, an official at the patent office, said: "The Poles could pay a symbolic price for the licence by seeking permission from those German firms who hold the copyright. And then they would be free to sell their gnomes here in Germany."

German gnome manufacturers, however, are not keen on selling their copyright. Heissner, one of Germany's oldest companies specialising in garden gnomes, believes it is a question of preserving quality.

"We have been making and painting our gnomes by hand ever since we started back in 1880," said Ms Helga Naueckert, for Heissner. "We sell about 700,000 garden gnomes each year. Our gnomes are expensive. The 70cm-high ceramic gnomes cost DM269 and the plastic ones cost between DM100-DM140. But people pay for quality. I am not so sure this quality can be sold to the Poles."

Ms Heissner admitted, however, that the Poles were attempting to introduce some competition into the market. "Of course it is a question about protecting our copyright. But it is also about the market being exposed to more competition."

Some Polish gnome manufacturers have tried to get around the obstacle by selling their gnomes on the Polish side of the border crossing. "I cannot get my gnomes into Germany any more. So I sell them on the roadside," said Mr Roman Olba, a gnome exporter who buys his gnomes from the Nowa gnome enterprise in Nowa Sól. These German day-trippers are considered crucial in helping to correct Poland's trade gap – $2bn in 1992.

"If we can't sell the gnomes in Germany, the Germans will come to Poland to buy them," said Mr Jacek Szlachta, deputy director of Poland's central planning office. "Over 40m Germans crossed into Poland last year. I reckon they each spend an average of DM50. This has already helped reduce our negative trade balance to $100m last year," he explained.

That is little comfort to Mr Olba. "I can't live off selling the gnomes on the Polish roadside . . . I now have to drive to the Czech Republic and make my way over to Austria and Switzerland where I can earn hard currency. But that's a long drive".

UK suggests gold sale

Continued from Page 1

gold, which pays no income. The UK argues the proceeds could be reinvested in income-earning assets, with the income devoted to the debt plan.

Mr Clarke's acknowledges his plan could only be accepted only after negotiations. The Trinidad terms, first proposed in 1990 by Mr John Major, now UK prime minister but then chancellor, are not fully accepted, but nearly $3bn of debts have been written off under the terms.

The scheme would require approval by 85 per cent of IMF members.

After the meeting, Mr Clarke will go to the IMF annual meeting in Madrid, where the UK and the US will press for a special allocation of Special Drawing Rights (the IMF's reserve currency) to help poorer nations.

PepsiCo 'to save $100m'

Continued from Page 1

ent PepsiCo businesses, particularly in newly-developing eastern European markets, to share distribution costs, office overheads and staff training. It might even put differently-branded restaurants on adjoining sites.

Mr Peter Hearl, the European head of KFC, said that if PepsiCo's efforts in Europe were successful then "other parts of the PepsiCo world", including businesses in north and south America, and Asia Pacific, could follow suit.

Europe is becoming an increasingly important market for PepsiCo. About 80 per cent of the company's profits are generated in the US at present, but it hopes to reduce this to about 50 per cent over the next six years.

Arch-rival Coca-Cola is dependent on the US for just 20 per cent of its profits – a fact which has helped to shield it from the effects of stiff competition in the home market.

Mr Paul Steel, who heads Pepsi-Cola's sales and marketing in Europe, said: "It's potential that we're only just beginning to expand. We've identified some massive opportunities there."

The company's different businesses have had a history of separate development, said Mr Wayne Mailloux, president of Pepsi-Cola Europe: "We tend to operate with very autonomous, decentralised divisions, so much so that our customers do not really know us for all of the various dimensions that we represent."

He dismissed the idea that increased centralisation might dampen the commercial zeal of individual divisional heads. "We're never going to allow ourselves to become a government bureaucracy. We will always put entrepreneurial drive first."

Italian fashion moves from catwalk to courtroom

By Robert Graham in Rome

As the Italian press has rubbed home this weekend, the famous names of fashion are having to get used to a new style – the style of justice.

The name of Giorgio Armani has now been added to a growing list of fashion designers who have fallen foul of an inquiry by Milan anti-corruption magistrates into pay-offs to the Guardia di Finanza, the financial police.

A total of 14 designers are believed to be under investigation for paying L1bn ($643,000) in order to ensure "friendly" tax inspections of their accounts. Those involved include the Versace group, Krizia (designer Mariuccia Mandelli) and Gianfranco Ferrè.

The probe comes at an embarrassing moment for Italy's fashion business, with the annual autumn shows due to start in Milan at the beginning of October.

On Saturday Mr Armani, who has just celebrated his 60th birthday, was briefly interrogated by Mr Antonio Di Pietro, the best known anti-corruption magistrate. Mr Oreste Dominioni, his lawyer, subsequently told journalists Mr Armani had paid L100m during a tax inspection in 1990 to members of the financial police.

The payment was made under duress, Mr Dominioni said. This is the same defence employed by every businessman caught up in this investigation – from steel magnate Alberto Falck to Mr Paolo Berlusconi, the prime minister's brother.

Mr Armani's appearance before Mr Di Pietro was quickly followed by Gianfranco Ferrè, the architect turned designer. He declined to comment on his interrogation; but judicial sources said he admitted paying over L300m, also in 1990, at the time of a tax inspection.

Mr Armani and Mr Ferrè are among the most successful Italian designers. Armani's 1993 worldwide turnover was L856bn, while that of Gianfranco Ferrè, who designed the Italian World Cup football team's outfit, was close to L900bn.

The question is less the damage to the image of Italy's profitable and dynamic fashion business and much more where the magistrates will turn their attention next. More than 50 members of the Guardia di Finanza have been arrested, including a general and an official working with Mr Di Pietro. Three have committed suicide over the past three months. Most of these officials are now co-operating under plea-bargaining deals.

It would seem that the magistrates want to remind the public with these easily identifiable figures that anti-corruption investigations have restarted with vigour after the summer break.

THE LEX COLUMN

Waiting for the Fed

The need for a rise in US interest rates is becoming increasingly apparent. The bond market's continuing anxiety about inflation appears justified by the most recent data on capacity utilisation and industrial production. While inventory adjustments may slow the economy during the current quarter, growth is likely to rebound to above 4 per cent in the fourth quarter. That is well above the Fed's 2.5 per cent target. The only factor that might delay an interest rate rise immediately after the Federal open market committee's meeting this week is November's Congressional elections. An increase soon after these would then be inevitable.

The more important questions are how high interest rates need to go to slow the economy down to the 2.5 per cent growth rate favoured by the Fed and how much damage such an increase will wreak on the corporate earnings and the equity market. Economists are divided. Some argue for no increase. Others believe rates will need to go as high as 7 per cent. This lack of consensus has been a primary factor in the markets' instability.

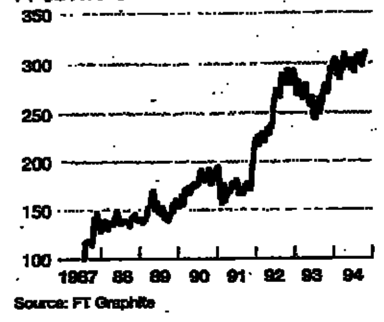
The bond market would be more likely to calm down if the Fed decided on a full percentage point rise. A half point rise would simply leave the market waiting for more during the spring. As for equities, this year's earnings would not be affected, but the high levels of corporate and private debt in the US would undoubtedly lead next year's profits to undershoot expectations. The price of knocking inflation on the head could be a sharp correction on Wall Street.

Biotechnology

The US biotechnology business has hit a cash crunch. The median quoted biotech group has insufficient capital to survive beyond the next 25 months, compared with 34 months a year ago. The industry is used to waves of investment interest and disenchantment, but this time the sector seems to be suffering a more significant malaise. Between 20 and 30 per cent of the quoted sector is in serious financial difficulties.

The reasons for the cash shortage are various. Investors were over-enthusiastic during the 1980s; although biotech groups were supposed to reduce the risks of developing new medicines through their greater understanding of science, many investors did not realise the risk of failure nevertheless remained high. Then the Clintons' proposals for healthcare

BAA



Source: FT Graphite

reform and the separate deceleration in growth of the world drugs market have cast a general pall over the industry. Since 1991, biotech stocks have underperformed the Standard & Poor's 500 by nearly 50 per cent.

This does not mean the death of the US biotech industry, but it heralds rationalisation. Costs can be cut and ambitions reined in. For those making good scientific progress, alternative sources of funds are available, particularly from the drugs industry. Those incapable of raising additional money must merge. The sector's long-term future remains bright. Healthcare providers remain willing to prescribe expensive novel treatments if they reduce overall costs. The rewards for those successfully developing innovative drugs have never been greater.

BAA

The temptation for BAA to try to replicate its winning UK formula in overseas markets seems, at first glance, irresistible. BAA's expertise in the low-cost construction, retail management and controlling of airports is clearly in demand. Australia's airport privatisation, for which approval at the Labor party conference this week would clear the way, is unlikely to be the last programme initiated by a cash-strapped government turning to the private sector to fund airport infrastructure.

But so far the benefits of BAA's internationalisation have proved elusive. Its management contract at Pittsburgh has, in just one year, lifted spending from less than $4 per passenger to more than $6, but the operation adds little to BAA's bottom line. The danger is that by offering such consultancy services BAA sells off its blueprints for success. To make a good return the company needs to take equity stakes. But there are few countries willing to cede control of their airports to foreigners.

In any case, BAA does not need to internationalise. The group expects passenger volumes at its UK airports to increase 4 per cent a year, lifting passenger numbers at Heathrow alone from 48m presently to 80m by 2016. Passenger spending can also be raised. In spite of BAA's undoubted skill, most of its terminals still yield less than Singapore's Changi or Amsterdam's Schiphol. The group is busy expanding retail space by 80 per cent. The first stage, at Heathrow's terminal four, raised spending per passenger by 30 per cent. Given such opportunities at home, the rewards overseas will have to be alluring to make them worth the distraction.

Indian telecoms

A whiff of controversy overhangs telecoms offerings from the Indian subcontinent. Pakistan Telecom vouchers were offered to international investors earlier this month despite there being no proper prospectus and with Jardine Fleming, the global co-ordinator, unable to go through the normal due diligence process. Even so, $900m of vouchers were snapped up.

Now India is wondering whether to revive the sale of shares in VSNL, the international operator whose $1bn offering was pulled in May when investors refused to pay the price the government demanded. Ministers, who held out for a price set before global equity markets dived in February, were condemned for failing to understand that prices must be fixed in the light of market conditions. Salomon Brothers and Kleinwort Benson, their bankers, were also criticised for failing to educate their client adequately.

Such neglect certainly carries a price. Investors, who have once witnessed unpredictable behaviour will worry about further political surprises if they buy VSNL stock. Set against this is the group's undoubted appeal as an investment. Not only does India – with only eight lines per thousand people compared with a global average of 100 lines – have great scope to develop its market; international traffic, over which VSNL has a 10-year monopoly, is the fastest-growing and most profitable part of the market. Provided ministers do not try again to over-price the issue, such attractions should persuade investors that buying shares is worth the risk.

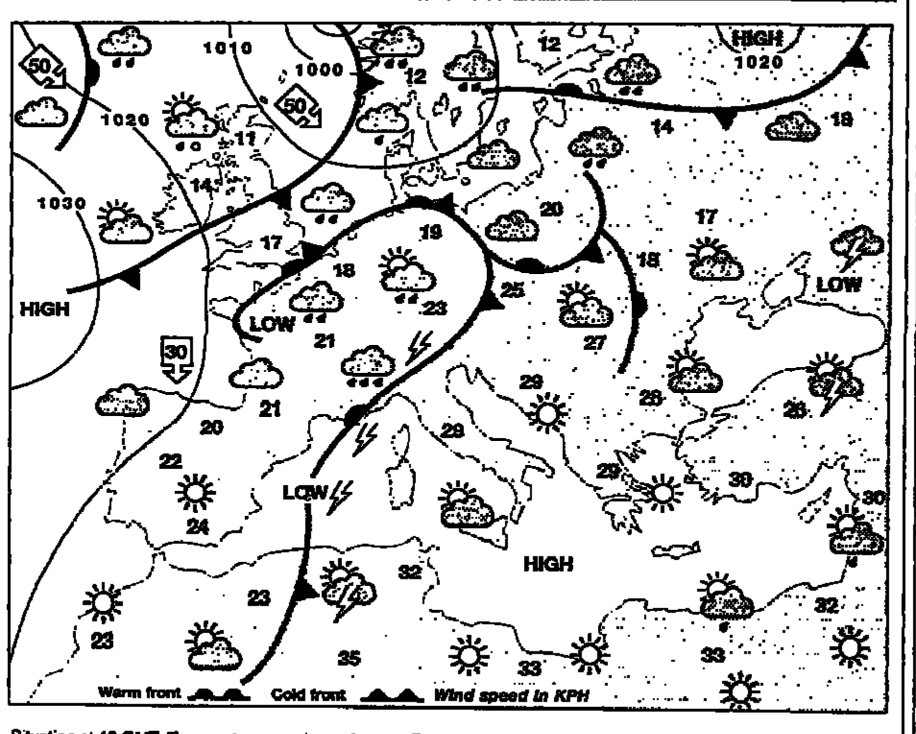
FT WEATHER GUIDE

Europe today

A frontal zone, separating warm and sunny conditions over Italy and Greece from rather cool and changeable weather in France and northern Spain, will again cause heavy downpours and thunder storms in northern Italy and the southern Alps. A deep low pressure area will develop over the southern Norwegian Sea. The cold front associated with this low will bring showery rain to western Norway and the eastern UK. Behind the front, cool and gusty showers will cross the Scottish Highlands. An old frontal zone will linger over western France and the Low Countries and as a result, it will be cloudy with rain in places. Scandinavia will have rain in the south, but bright sunshine in the north.

Five-day forecast

High pressure west of the Bay of Biscay and a deep low near the Norwegian coast will cause north-westerly winds to bring much cooler conditions into north-western Europe. There will be plenty of showers in coastal areas. The north-facing slopes of the Alps will have rain at times. Heavy rain and thunder will spread east from northern Italy into Croatia. Heavy thunder storms will also affect the east coast of Spain. Portugal and south-eastern Europe will stay sunny and quite warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	37
Accra	fair	27
Algiers	shower	27
Amsterdam	rain	15
Athens	sun	30
Atlanta	fair	25
B. Aires	rain	15
B.ham	cloudy	14
Bangkok	rain	32
Barcelona	thund	23
Beijing	shower	25
Belfast	shower	13
Belgrade	sun	29
Berlin	fair	22
Bermuda	fair	30
Bogota	cloudy	18
Bombay	fair	31
Brussels	shower	18
Budapest	sun	26
C.hagen	cloudy	15
Cairo	fair	32
Cape Town	fair	17
Caracas	fair	31
Cardiff	cloudy	15
Casablanca	fair	22
Chicago	rain	15
Cologne	shower	20
Dakar	fair	29
Dallas	sun	30
Delhi	sun	31
Dubai	sun	37
Dublin	fair	15
Dubrovnik	sun	28
Edinburgh	fair	14
Faro	sun	24
Frankfurt	fair	21
Geneva	shower	22
Gibraltar	sun	24
Glasgow	shower	13
Hamburg	shower	17
Helsinki	cloudy	11
Hong Kong	fair	31
Honolulu	fair	31
Istanbul	sun	27
Jakarta	fair	33
Jersey	shower	15
Karachi	sun	33
Kuwait	sun	35
L. Angeles	sun	26
Las Palmas	sun	26
Lima	fair	24
Lisbon	fair	22
London	rain	18
Lux.bourg	fair	19
Lyon	shower	23
Madeira	fair	24
Madrid	sun	22
Majorca	thund	25
Malta	sun	29
Manchester	shower	13
Manila	rain	31
Melbourne	shower	13
Mexico City	fair	24
Miami	fair	32
Milan	thund	23
Montreal	rain	17
Moscow	cloudy	15
Munich	fair	23
Nairobi	fair	28
Naples	fair	32
Nassau	shower	32
New York	shower	22
Nice	thund	23
Nicosia	sun	28
Oslo	rain	13
Paris	fair	20
Perth	shower	23
Prague	fair	23
Rangoon	cloudy	31
Reykjavik	sun	5
Rio	fair	27
Rome	fair	29
S. Frsco	fair	25
Seoul	cloudy	24
Singapore	rain	31
Stockholm	cloudy	13
Strasbourg	fair	22
Sydney	sun	20
Tangier	sun	22
Tel Aviv	fair	31
Tokyo	shower	27
Toronto	rain	18
Vancouver	fair	19
Venice	shower	24
Vienna	sun	24
Warsaw	fair	20
Washington	shower	22
Wellington	shower	12
Winnipeg	fair	21
Zurich	fair	20

FINANCIAL TIMES
COMPANIES & MARKETS

Monday September 26 1994

MARKETS
THIS WEEK

MARTIN WOLF:
ECONOMIC EYE
The growth of single-parent households and second families was only made feasible by the welfare state, Martin Wolf argues. The Child Support Agency was an attempt to shift this burden back on to fathers. But there is not enough money to go round. **Page 20**

BRONWEN MADDOX:
GLOBAL INVESTOR
European markets appear determined to salvage some cyclical stocks from the implications of rising interest rates. In periods, such as the present one, where rates are pushed up by higher than expected growth in output, cyclical stocks can continue to generate earnings surprises, so the case goes. The attempts are valiant, but remain vulnerable to anything but a limited rise in rates. **Page 20**

BONDS:
Encouraging fundamentals, including lower than expected inflation data and another fall in M3 money supply growth, lent support to the long end of the German yield curve last week. The recovery remains vulnerable to possible setbacks in the US Treasury market, the German federal elections and the forthcoming wage round. **Page 22**

EQUITIES:
This is the last week of the third quarter. On Wall Street, sentiment will hinge on the outcome of tomorrow's Federal Reserve policy session. In London, a three-month gain in the FT-SE 100 has been whittled down to not much more than 100 points. The index has to move quickly in the final quarter to meet many year-end forecasts. **Page 23**

EMERGING MARKETS:
If Brazil elects Fernando Henrique Cardoso as president next week, privatisation may be speeded up and fiscal reforms could lead to strong growth for the equity market and a big increase in capital-raising by Brazilian companies. **Page 21**

CURRENCIES:
Possible interest rate rises and trade negotiations will be the key factors motivating the markets this week as the dollar comes under scrutiny. **Page 21**

COMMODITIES:
Analysts will be anxious to see whether leading contracts on the London Metal Exchange are coiled to resume last week's run-up or enter a shake-out. **Page 20**

UK COMPANIES:
Housebuilder Charles Church is to have a further £50.7m of debt written off to aid its recuperation and eventually allow it to be floated. **Page 18**

INTERNATIONAL COMPANIES:
Standard & Poor's has downgraded its long-term debt ratings on Daimler Benz and related entities to AA- from AA. **Page 19**

STATISTICS

Lufthansa to cut debt by DM3bn

By Paul Betts in London

Lufthansa, the German national airline, plans to reduce the group's long-term net debt by nearly DM3bn ($1.9bn) by 1997 as part of its overall restructuring and financial recovery.

The reduction in net debt will lead to annual interest payment savings of about DM200m a year by 1997 in addition to the DM500m-DM700m in annual savings the company is seeking to achieve from its restructuring and cost-cutting strategy, according to Mr Klaus Schlede, Lufthansa's deputy chairman and chief financial officer.

Mr Schlede said Lufthansa would use all the proceeds of the DM1.2bn it is raising from its current rights issue to repay ahead of schedule a DM1.2bn Euroloan maturing in 2000.

During a roadshow to promote the issue, which is an integral part of the airline's privatisation programme, Mr Schlede also disclosed the airline would retire ahead of schedule another DM500m floating rate bond in the current quarter.

The airline has already repaid DM250m of the floating rate bond in July and intends to retire the other DM250m next month.

"By the end of this year we will have reduced our net debt from DM5.9bn to DM4.2bn," Mr Schlede said. This DM1.7bn reduction in long-term debt would lead to annual interest payment savings of DM100m by next year.

In the next two years, two further bond issues will come to maturity including DM300m next year and DM750m in 1996. "We will repay these loans out of cashflow as we see no need for new indebtedness," he said.

With the repayment of these further Eurobond issues, the group's long-term debt will be cut to DM3.15bn by the end of 1996, close to its three-year target of DM3bn. This will lead to the annual DM200m interest payment savings the group is seeking.

NatWest may bid for Irish bank

By John Gapper in London

National Westminster Bank is likely to be allowed to make an I£110m ($170m) bid for TSB Bank in the Republic of Ireland as part of an effort by the Irish government to create a "third force" in the banking sector to rival Allied Irish Banks and Bank of Ireland.

The government is expected to allow NatWest to bid against National Australia Bank for TSB. Although the trustees of TSB have agreed to be acquired by NAB, the government is likely to intervene to ensure that it receives the highest price for the state-owned bank.

The government is due to receive a report next month prepared jointly by SKC Corporate Finance, N.M. Rothschild and William Fry outlining a framework for a TSB auction. The successful bidder may also be required to buy Industrial Credit Corporation, the state-controlled finance house.

NatWest has been given the financial data to allow it to make a financial assessment of TSB, which had I£1.23bn in assets, and capital reserves of I£57.5m, at the end of 1993. NatWest has said it is willing to make a higher bid than NAB, which is thought to have offered I£102m.

Lord Alexander, NatWest's chairman, said he believes that NatWest was now more likely to be allowed to bid for TSB. "The door is rather more open than it was because, although NAB had a head start, the position is being looked at and other options evaluated," he said.

Lord Alexander said that by combining TSB with Ulster Bank, NatWest would be able to achieve "considerable further development" of its Irish banking operations. "It would be an even more serious presence, and what might be described as a true third force," he said.

Challengers jostle in the queue, Page 15

Money market funds are catching on in Germany, writes **Andrew Fisher**

Novelty of the short-term

When German investors are offered champagne and caviar to tempt them to bring in new customers, something new must be up in a country where financial innovation proceeds cautiously rather than swiftly. In Germany, investors tend to be very much in the safety-first mould.

The novelty is money market funds, now coming steadily on to the German financial scene since legal barriers to their sale were dropped last month. About 20 such funds have either been approved or are in the pipeline.

With increased familiarity, investors will become blasé about this new – for Germany – investment medium, offering immediate access to their money at interest rates higher than on fixed-rate deposits.

To steal a march on its rivals, one big German bank set up two funds in Luxembourg while awaiting regulatory approval to base them in Germany.

Commerzbank's funds – with minimum deposits of DM20,000 and DM100,000 for private and professional or corporate investors – have attracted nearly DM8bn (£3.2bn). Competitors tend to be disdainful about Commerzbank's marketing methods, including television advertising as well as its free champagne and caviar offer for clients introducing new business. But the bank, whose funds yield just more than 4 per cent against 3.5 per cent for term deposits, sees them as a way of raising new customers.

Clearly, much of the money going into the funds comes from the bank's own fixed-rate deposit accounts, but Commerzbank reckons at least a quarter of the inflows represent new money.

Other countries have had money market funds, which invest in short-term government, commercial and other paper, for some time. In the US, their volume totals nearly $600bn, while French funds have reached $250bn. In Germany, however, their significance goes beyond their likely attraction to investors. Their introduction represents an enhancement to the evolving status of Germany as a financial centre.

"This is more than a small step in the right direction," says Mr Christian Strenger, chief executive of DWS, the Deutsche Bank fund management concern. "This was one of the few elements still missing. It is important to have money market funds in the range of offerings. All mature financial markets have them."

If the Bundesbank had had its way, money market funds would never have seen the light of day. The central bank was concerned about their potential for undermining control of the money supply.

To press home its point, the Bundesbank last month withdrew its short-dated paper (Bulis), saying it did not want to encourage short-termism in financial markets. This was re-emphasised last week by Mr Hans Tietmeyer, president of the central bank, who said the federal and state governments should not turn to short-term issues.

While the removal of Bulis takes some DM25bn of paper out of the market, fund managers do not see this as a great handicap. "It's a pity that such a top quality investment is not available," says Mr Strenger, but he and others see plenty of other investment opportunities.

The German funds will obviously encourage more companies to issue commercial paper. There are about 60 CP programmes in D-Marks, including blue chips such as Daimler-Benz, Volkswagen and BMW. But the winding down of the Treuhand privatisation agency will remove the biggest programme, worth DM10bn.

Mr Rudolf Siebel, Frankfurt-based investment fund analyst at the Moody's rating agency, says fund managers could have to accept more lower-grade paper from new issuers to offset the lack of government and Treuhand paper.

However, the Bonn government's new 10-year floating rate bond, based on the three-month Frankfurt interbank rate – the Bundesbank is not too enthusiastic about this, either – will provide an additional investment.

Mr Rolf Passow, head of DIT, the Dresdner Bank investment offshoot, hopes the funds will help popularise investment in funds generally as an alternative to fixed-interest savings.

The next step would be to interest more people in share-based unit trusts. At present, 68 per cent of the DM325bn invested in German unit trusts is in bond funds. The potential prize is a big one. Germans have some DM4,000bn in private financial assets, 44 per cent of these in bank deposits. If more went into shares and funds, the effect on German financial markets could be considerable.

Lloyd's agency seeks listing for dedicated fund

By Richard Lapper in London

Hiscox Group, the Lloyd's agency, is to seek a stock market listing for its "Dedicated" investment fund, which provides corporate capital exclusively to its four syndicates.

The move is designed to pave the way for the eventual creation of an insurance company which would operate within the Lloyd's regulatory framework, signalling a further shift in the character of the insurance market which has traditionally relied on individual Names trading with unlimited liability for their losses.

Lloyd's raised corporate capital for the first time last year. More than a dozen listed investment funds now supply some £800m ($1.2m) to syndicates and account for more than 14 per cent of the market's capacity – the amount of premiums it can accept.

So far, all listed funds have been investment trusts supporting a range of agencies – and the syndicates they manage – across the insurance market, because stock exchange rules have prevented the listing of single agency or "dedicated" vehicles on the grounds that they do not have a three-year trading record.

Mr Robert Hiscox, chairman of Hiscox and deputy chairman of the market as a whole, indicated a relaxation was in prospect. Mr Hiscox, who helped orchestrate the drive to attract corporate capital last year, said his group will need to provide audited accounts for syndicate years of account which still have to be closed, in line with the market's three-year accounting system.

This week: Company news

FIAT

Profitability in sight after last year's huge losses

On Thursday, Fiat, Italy's biggest private-sector industrial group, will publish its half-year results, providing the first concrete indications of how it is working towards the objective of full-year profits outlined by Mr Gianni Agnelli, group chairman, at the shareholder meeting in June.

Last year, the group revealed a L966bn ($620.8m) loss for the first half – which became a record L1,783bn ($1,146bn) loss in the full year – and a complex cash-raising plan worth a total of L5,000bn.

The group's shares fell sharply afterwards.

This year's half-year announcement should be less dramatic. Analysts are more or less in agreement that the group will show a small pre-tax profit for the first half.

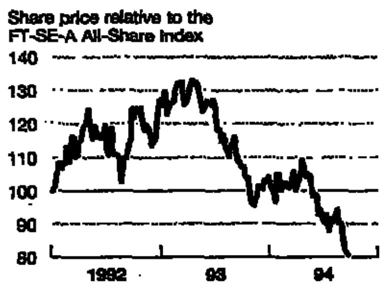
Italian buyers of Fiat cars – which include the Alfa Romeo and Lancia brands – have held back during the first nine months of the year, first because of political uncertainty and then because of expectations, now all but eliminated, that the Italian government might push through incentives for car purchases.

However, Fiat has still managed to increase its market share in Italy, with the help of a competitive exchange rate which has deterred buyers of rival foreign marques, in particular Japanese.

Exports should also show strong growth, for the same reasons, with the Fiat Punto, launched last year, leading the recovery.

The prospect of good results is already in the Fiat share price, according to analysts, and investors may be more concerned next week by the Italian government's efforts to push through a 1995 budget.

Inchcape



Source: FT Graphite

INCHCAPE

Analysts have a yen for reassurance

So far, 1994 has not been a happy year for Inchcape, the international motors, marketing and business services group. Its share price has fallen by a third since January, and analysts will be anxious for reassurance today when the UK-based group reports results for the six months to June 30.

Currency has been the main bugbear. Inchcape does a lot of its business in and from the Far East and the strength of the yen against both the dollar and sterling will adversely depress its results. The Japanese recession hit the group's marketing activities, which also suffered when the Chinese authorities last year imposed austerity measures to slow the pace of development in their southern provinces.

Inchcape has also been rueing an FT-SE Actuaries re-classification which led to its being moved from business services sector to vehicle distributors.

It was concerned over being put in a sector which mainly comprises UK distributors, when only about 15 per cent of the group's total profits come from motors in the UK. Sure enough, when news of the disappointing level of new car registrations in the UK during August hit its new sector this month, Inchcape was clobbered along with companies which trade only in the UK.

Analysts now expect pre-tax profits of about £115m-£120m against £130m ($205.4m) but will be more interested in the outlook for the second half.

OTHER COMPANIES

Cyclical subsidiaries make for sunnier SGB

Société Générale de Belgique is likely to post better first-half 1994 earnings today following a recent improvement in its rating by many analysts.

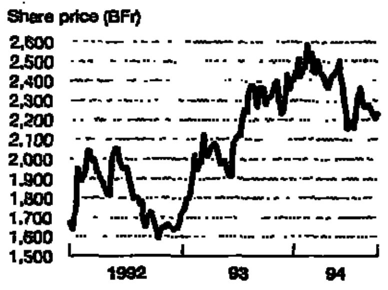
The earnings gain is likely to be due mainly to better results at the flagship holding company's more cyclical subsidiaries, analysts said.

An estimate by Banque Bruxelles Lambert, sees SGB's first-half group net rising nearly 50 per cent to BFr6.4bn ($201m) from BFr4.4bn in the first half of 1993.

First-half current profit is expected to rise rise 26 per cent to BFr4.6bn, from BFr3.7bn in the first half of 1993.

SGB will consolidate about BFr1bn of extraordinary gains at non-ferrous metals unit Union Minière.

Société Générale de Belgique



Source: FT Graphite

post-privatisation. The 1993 group profit was 37 percent up at L301.2bn ($193.6m), but the boost came mainly from a strong performance among subsidiaries. Attention will now focus on whether the parent company can turn in higher earnings.

■ Stena Line: The world's biggest ferry operator, will present figures for the first eight months on Wednesday, showing it is firmly on track to exceed 1993's profit of SKr273m ($37m) for the full year. Higher volumes and the delayed start to the Channel Tunnel have enabled the group's UK operations to make progress despite a cross-channel price war. In Scandinavia, cost-cutting has helped to offset the impact of lingering recession and the weak Swedish krona.

■ Banca Commerciale Italiana: The Italian bank is due to report on Wednesday half-year figures covering the first months of operations

■ Forte: The London-based group announces half-year results on Thursday, with pre-tax profits of between £50m and £55m ($87m) expected, compared with £37m last time. The results come at the end of one of the most momentous months in the hotel and restaurant group's history. It has been given a formal say in the management of the Savoy Hotel group, although it has not won overall control. More significant from a commercial point of view, it won control of Meridien hotels, the French chain controlled by Air France. Attention is likely to focus on Forte's success in holding on to contracts to manage Meridien properties.

Companies in this issue

COMPANIES AND FINANCE

Charles Church refinanced

By Andrew Taylor, Construction Correspondent

Banks which led the financial rescue of housebuilder Charles Church three years ago have agreed to write off a further £50.7m of debt to aid the company's recuperation and eventually allow it to be floated.

They have also provided £10m of new loans to enable the company to buy land in the home counties and increase its building programme as the housing market recovers.

In a letter to shareholders Dr John Roberts, chairman, said the independent directors had been advised by NatWest Markets that "a future flotation of Charles Church Group is most likely to maximise returns to shareholders and subject to favourable economic and market conditions is a realistic prospect".

The latest refinancing involves a complex share restructure. Banks which provided the original rescue package and have agreed the further debt reduction have increased their stake in the group from 42 to 80 per cent.

Preference shareholders and other banks which provided mezzanine finance in 1989 have had their stake reduced from about 40 per cent to 10 per cent. Charles Church management have retained their 10 per cent holding.

The continuing high level of Charles Church borrowings meant that the group recorded a pre-tax loss of £5.5m last year even though it moved back into the black at operating level. Trading profit was £332,000 compared with a loss of £17.67m the previous year.

Mr Stewart Baseley, Charles Church chief executive, said:

Stewart Baseley: fortunes have improved significantly

"The company's fortunes have improved significantly and the business is now performing well. As a consequence our banks did not need to do anything, but based on our recent track record have demonstrated their confidence and support in the management by investing further into our profitable growth and expansion."

Dr Roberts said that the company had been due to repay banks about £14.2m of debt and accrued interest in August next year, with similar amounts due in 1996 and 1997. The independent directors believed it would not be able to meet these obligations and supported the restructuring as "the only way by which shareholders as a whole may achieve any meaningful future value for their shareholdings".

Borrowings following the restructuring have been reduced from £90.7m to £50.5m, including the new £10m loan for land purchases. Shareholders' funds, which previously were in deficit, are now back in the black, enabling the company to pay dividends in the future.

Churchill China plans to raise £15m

By Peggy Hollinger

Churchill China is coming to the market next month. It is the third oldest Staffordshire-based china company to float in the last year, after Royal Doulton and Denby.

Churchill, founded under the Sampson Bridgwood name 200 years ago, wants to raise £15m via a placing.

About £5m of the proceeds will be used to carry out an investment programme to improve capacity and quality. The balance will go to the three brothers whose family have run the company since 1922. After the float, the Roper family will have about 55 per cent of the enlarged equity.

Mr Stephen Roper, chief executive, says a flotation would also give the group the flexibility to attract and keep management expertise with incentives such as share options.

Churchill has three divisions – tableware, hotelware and fine china. Tableware produces the cheaper earthenware product in traditional floral or blue willow patterns. Churchill intends to invest about £800,000 in this division.

In 1993 hotelware contributed £1.7m to group profits of £2.9m. Churchill would invest about £5.5m in the division to expand capacity.

The flotation will include a profits forecast. Mr Roper said Churchill would show an improvement on last year's £2.9m profit and £36m in sales. Hoare Govett is sponsor.

● Other companies revealing plans to come to market include Brunner Mond, the UK's biggest soda ash group, New Look, a womenswear retailer, and Ennemix, an aggregates company.

Sold by Imperial Chemical Industries in 1991 to Penrice, a management buy-in company since renamed, Brunner could be valued at about £250m when it floats early in 1995.

New Look is to launch a placing and open offer by the end of the year, valuing the company at £150m-£180m and involving some 35 per cent of the equity.

Founded by deputy chairman, Mr Tom Singh, the company has 221 retail outlets in the UK and 10 in France. In the year to March 26 last, sales were £88.4m and profits was £10.9m.

Ennemix's previous flotation proposal to raise almost £9m from a rights issue offered to shareholders of Anglesey Mining for a 15 per cent stake in the quoted mining group, received insufficient institutional support. Instead it is planning a placing to raise about £4.45m.

Benfield proves exception to the rule

By Richard Lapper

London's insurance and reinsurance brokers have not performed well over the last couple of years, but Benfield Group, the reinsurance broker which has announced its full year results, is a notable and striking exception.

Benfield, which is not listed on the stock market, continues to make annual profits equal to nearly three quarters of its operating income, and its senior executives are among the best paid in the insurance industry.

The marginal fall in pre-tax profits in the year to June 30 from £31.2m to £29.2m, was principally due to falls in interest rates and currency losses.

Mr Matthew Harding, the chairman, already a multi-millionaire with substantial interests in Chelsea Football Club, saw his remuneration package - excluding pension contribution - fall only slightly to £2.39m (£2.45m). One other director also earned more than £1m in the year.

Yet Benfield has significantly increased its financial strength, boosting shareholders' funds to £50.7m (£30.2m). An extra £12.5m in equity was raised earlier this year to capitalise a new reinsurance company, Benfield Re.

Mr Harding is also well known as a fierce critic of the price-driven approach to broking favoured by many in the market in the 1980s, which helped depress reinsurance rates to unsustainably low levels.

He has introduced a number of innovative elements into reinsurance contracts, mainly designed to prevent underwriters being able to underwrite business while retaining little or no risk on their own accounts.

Institutions take a longer term view

By Norma Cohen, Investments Correspondent

Large institutional shareholders may take a much longer term view of the prospects of the companies they invest in than is currently believed, according to a new survey.

The Investor Relations Society, a professional association, studied the share registers of 10 leading UK companies over a 12-month period.

It concluded, based on analysis of the largest shareholders, that the average holding in any single company was 8 years and 4 months, far longer than a holding of between 3.5 and 5 years highlighted in an earlier study by the London Stock Exchange.

However, at the margin, there is considerable trading in the shares of each individual company over the course of a year, with the average monthly turnover at 7.1 per cent.

But for the 10 largest institutions, the average was 6.4 per cent, while for the 10 smallest, monthly turnover was 7.8 per cent, suggesting that smaller shareholders may be more volatile holders of stock.

Significantly, the study also found that life and pensions funds – which tend to be the largest institutional shareholders – are more likely to be longer term holders of stock than are unit and investment trust managers.

Of the 45 life and pensions shareholders in the study, only one totally divested itself of a large stake in a single company during the 12-month period.

The 45 unit and investment trusts in the study included three cases of total divestment over the same period.

The Dynamics of Institutional Share Ownership in Major UK Quoted Companies, Jeremy Monk, Investor Relations Society, 2nd floor executive suite, One Bedford Street, London WC2E 9HD, 071-379-1763

News Corp rejects panel as way to settle dispute

By Conner Middelmann

News Corporation, the publishing group owned by Mr Rupert Murdoch, has rejected an attempt by investors to use the City Disputes Panel to resolve a long-running dispute over its exchangeable preference shares and convertible bonds.

Instead, it is taking legal action against merchant bank J Henry Schroder Wagg, one of the investors who incurred losses in the confusion surrounding the preference share and convertible bond issues the media group launched in 1989, which were convertible into shares owned by News Corp in Pearson, the owner of the Financial Times.

When Pearson demerged its Royal Doulton china subsidiary last year, investors thought that anyone converting the News Corp bonds and shares would receive Doulton shares, in addition to Pearson shares. A notice published in the FT in December on behalf of a News Corp subsidiary advised holders that they were entitled to the Doulton shares as part of the exchange.

However, in January, News Corp published another notice saying it was seeking legal advice and in February said that investors would not receive the Doulton shares.

Without the Royal Doulton shares, the value of the conversion package was worth less than the redemption value of the bonds. In the confusion surrounding the terms of the exchange, several investors, including Schroder, incurred significant losses.

Representing aggrieved investors, including Schroder, City lawyers Slaughter & May wrote to News Corp recommending the matter be brought before the disputes panel.

News Corp, however, rejected arbitration "because it didn't think it was the most appropriate procedure," Mr Robert Hunter, a litigation partner at Allen & Overy, News Corp's lawyers, said yesterday. Instead, the group has started legal action against Schroder, asking the High Court to rule that the bank has no grounds for compensation.

Schroder disagrees. "We felt this was an appropriate dispute for the panel to hear, and believe it is the right body to consider the dispute," Mr David Caruth, Schroder's legal adviser said yesterday. "We don't think the courts are the appropriate forum for this dispute," he added.

News Corp was unavailable for comment, but is expected to make a statement today.

Norman Hay reduces losses to £368,000

Norman Hay, the engineering group, reduced losses from £677,000 to £368,000 in the first half of 1994.

The result came on the back of a lower turnover of £3.24m, against £3.9m.

Mr Peter Hay, chairman, warned, however, that the company's performance would be held back by financing costs until the sale of the Heathrow site was concluded.

Further progress was expected in the second half and prospects "appear better than for several years," he added.

Losses per share for the period amounted to 2.5p, compared with 4.5p.

Pantheon Investment doubles net assets

Pantheon International Participations reported an increased diluted net asset value per share of 239.6p at the end of 12 months to June 30, up from 195.5p.

Net revenue fell 17 per cent from £169,000 to £140,000. Earnings per share were down from 1.16p to 0.88p and the single final dividend is maintained at 0.5p.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Union des Assurances de Paris (France)	Colonia (Germany)	Insurance	£493m	Deal for 100%. control
Browning & Ferris Industries (US)	Attwoods (UK)	Waste management	£364m	Laidlaw wants out
Nestlé (Switzerland)	Unit of GrandMet (UK)	Pet food	£323m	More GrandMet restructuring
Wang (US)	Unit of Groupe Bull (France)	Computer services	£102m	Part of strateg alliance
CRH (Ireland)	Rotondo (US)	Building materials	£14.2m	Reinforcing US presence
Pearson (UK)	Recoletos (Spain)	Publishing	£12.4m	Raising stake to 47%
Daewoo (S Korea)	DCM-Toyota (India)	Car manufacture	£9.6m	Majority stake planned
Nobo Group (UK)	De Visu (France)	Business equipment	£6m	Profit-related element
Cockerill Sambre (Belgium)	Eko Stahl (Germany)	Steel	n/a	Bid confirmed
British Steel (UK)/ Zelleco (Malaysia)	European Profiles (Malaysia)(JV)	Steel	n/a	Steel roll move

CONTRACTS & TENDERS

LEGAL NOTICES

In the matter of Confederation Treasury Services (U.K.) plc
and
In the matter of the Insolvency Act 1986

Notice is hereby given that Anthony James McMahon and Peter Joseph Beirne of KPMG were appointed joint liquidators of the company with effect from 2 September 1994 following meetings of the company and creditors held on 23 August 1994 and 2 September 1994.

The creditors of the above-named company are required, on or before 30 October 1994, to send in their full forenames and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their solicitors (if any), to the undersigned Peter James Bourne of KPMG Peat Marwick, PO Box 730, 20 Farringdon Street, London EC4A 4PP, joint liquidator of the said company, and, if so required by notice in writing from the said joint liquidators, or personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Date 21 September 1994
PJ Beirne
Joint Liquidator

PERSONAL

COMPANIES AND FINANCE

Jardine prompts Hang Seng shake-up

By Louise Lucas in Hong Kong

The Hang Seng Index will receive one of the biggest shake-outs in its recent history in November with the replacement of four constituent stocks. This will be followed in February with another round of switching, this time affecting three shares.

The changes were sparked by the de-listing of the five companies in the Jardine camp. From March 31, only Jardine International Motors will remain listed.

The Jardine group is withdrawing its secondary listing over regulatory concerns which analysts believe mask a deeper fear about the post-1997 administration.

The group is currently the focus of an attack from Beijing, which wants to see the Jardine consortium ejected from a key container terminal project.

On November 30, Jardine Matheson Holdings and Jardine Strategic Holdings will be withdrawn from the Hang Seng Index, one month before they quit the exchange.

At the same time, Lai Sun Garment and Winsor Industrial Corporation will be withdrawn following their under-performance of the market.

The four will be replaced with Amoy Properties, Guangdong Investments, whose interests span securities, travel and transport, hotels and property, Johnson Electric Holdings and Oriental Press Group, the newspaper and publishing group.

On February 28, the remainder of the decamping Jardine companies – Dairy Farm International Holdings, Hongkong Land Holdings and Mandarin Oriental International – will be replaced by Shangri-La Asia, the hotel group controlled by Malaysian businessman Robert Kuok; Sino Land, the property company chaired by Singaporean Robert Ng; and South China Morning Post (Holdings), Hong Kong's leading English language newspaper now also under the control of Mr Kuok.

According to the latest stock exchange figures, the departing stocks are worth a total HK$161.4bn (US$21m) while the newcomers represent HK$143bn.

S&P downgrades Daimler Benz

By Conner Middelmann

Standard & Poor's, the international rating agency, has downgraded its long-term debt ratings on Daimler Benz and related entities to AA- from AA, and has changed the outlook to stable from negative. Some $5.2bn of debt is affected.

According to S&P, "the rating action reflects increasingly difficult industry fundamentals within the European automotive industry and the continued weakness within developed world aerospace markets".

Daimler's two main units are Mercedes-Benz, the motor vehicle manufacturer, and Dasa, the aerospace group.

Daimler Benz did not seem overly worried by the move. A spokesman told Reuters news agency that "debt rated AA- has a very strong capacity to pay interest and repay principal, and differs from the highest rated debt only to a small degree".

Despite a 6.8 per cent increase in European new car registrations during the first six months of 1994, S&P said it expects long-term demand to slow as European markets approach saturation.

At the same time, increasing economic unification suggests that automotive market conditions will be subject to more cyclical fluctuations while competition among players is intensifying as a result of the elimination of trade barriers, the agency stated.

Conditions within global aerospace markets also remain weak, S&P said.

However, while long-range conditions in Daimler Benz's core automotive and aerospace markets will remain challenging, S&P said, it assumes group operating profitability will improve over the next two to three years in line with European economic recovery and as a result of recent product launches and the group's rationalisation and restructuring programmes.

Some analysts felt the rating came at an odd time.

"It seems rather late in the day to be downgrading Daimler, seeing as it appears to have weathered the storm and is on the mend," said Mr Roderick Hinkel, German strategist at Paribas Capital Markets.

Daimler Benz reported operating profits of DM926m ($600m) for the first half of this year compared with a loss of DM2.4bn in the same period a year ago.

The company's chairman, Mr Edzard Reuter, recently predicted that "almost all" operations should have returned to profit by 1995.

S&P also noted that Daimler Benz is seeking to enhance its competitiveness through the renewal and expansion of product offerings at Mercedes-Benz and improvements in operating efficiency across the entire group.

Multimedia strategist takes on Time Warner

Tony Jackson on the appointment of Norman Pearlstine as editor-in-chief

The press release 10 days ago announcing Mr Norman Pearlstine's appointment as editor-in-chief of the US media giant Time Warner contained one curious and revealing sentence. The challenge for Mr Pearlstine, it said, was "to preside over the explosion of our journalistic creativity . . . into multimedia forms".

In more innocent days, the job of presiding over a group of magazines ranging from Time and Fortune to Sports Illustrated might have been enough to get on with. It is also one for which Mr Pearlstine, a former editor of the Wall Street Journal, is eminently qualified. But the clincher, it seems, is what he has been doing for the past two years: setting up and running his own multimedia investment company.

His appointment is a clue not only to developments in the magazine world, but to Time Warner's wider strategy. The company has been in the news lately for its rumoured interest in buying all or part of the NBC television network. The link between broadcasting and programme production is at the currently fashionable end of the multimedia spectrum.

Such a deal would also be very expensive. Since the magazines are less fashionable but still highly valuable, there had been speculation that they might be sold. The terms of Mr Pearlstine's appointment plainly suggest otherwise.

Mr Pearlstine's two years in the investment game do not seem to have been particularly productive, a fact which he proposes as a lesson in itself.

"I think the most valuable thing I may bring is some caution and scepticism on where the true opportunities are," he says. "I must have looked at 400 opportunities in the past two years, and I didn't see that much to excite me."

This caution may partly be a matter of policy. Mr Pearlstine is the first outsider ever to be appointed as Time's editor-in-chief. Besides, though his name is already on the door of his new office, he does not take over officially until January 1. "I'll never know more about this company than I do now," he says. "The more you learn, the more complicated it gets."

He has discovered, he says, that each of the magazines in his stable is well advanced with its own multimedia plans: whether on-line services allowing Time readers to quarrel with the editor by E-mail, or one-off CD-ROM publications by Sports Illustrated.

"One thing I have found is that Time Warner is as far along this road as anyone in America," he says.

What if Time Warner's rumoured interest in a broadcasting network were to bear fruit? "In that case, I can see more readily how [editorial] content would move back and forward. I can also see how instant polls through TV or on-line [personal computers] could play into the publications. But I don't think giving Fortune and Time reporters camcorders and sending them out to get material for TV would be very useful."

Beyond that lies a wider problem. The essence of print journalism is getting the right words and the right stories into a scarce amount of space. The point about personal computers and the Internet, by contrast, is that it is theoretically possible to call up everything that is known on any conceivable topic.

"I haven't seen a good working business model for that yet," he says. "How you work out a model that handles an infinite capacity for information rather than scarcity hasn't been addressed yet."

Traditional journalistic skills may prove his main qualification after all. "As much as I'm fascinated by new media, and as much as it's a plus for an editor-in-chief to know about it, the bulk of the job is looking after the print magazines for the foreseeable future."

Management changes at Bolloré Technologies

By David Buchan in Paris

A management shake-up at Bolloré Technologies, the diversified French industrial group, is due to be confirmed at the group board's meeting later today, following the news on Friday of a change in chief executive.

Bolloré Technologies clarified a leaked report on Friday that Mr Jean-Paul Parayre would be replaced by Mr Bernard Esambert as its president. However, the company indicated that the change – likely to be the result of the former's differences of opinion with Mr Vincent Bolloré, chief shareholder in the group – was relatively amicable.

An industrialist with long experience at Peugeot and Lyonnaise des Eaux-Dumez, Mr Parayre was only made head of Bolloré Technologies in January.

However, the group statement said that Mr Parayre had been able to carry out "earlier than foreseen" the necessary restructuring required, among other things, by January's devaluation of the CFA franc in French Africa, where the group does much of its business.

Mr Bolloré and Mr Parayre therefore agreed the time had come to "put a new structure in place".

Giving credence to this is the fact that Mr Parayre is not quitting the group, but swapping places with Mr Esambert as manager of Albatros, the holding company which controls the industrial group.

Mr Parayre is also said to have turned around the group's performance, putting it into profit in the first half of this year after its FFr357m loss in 1993 as a whole, and selling assets to reduce its debt to FFr5.8bn.

However, one of Bolloré's main bankers is the hard-pressed Crédit Lyonnais, which may be pressing its client in turn for further debt reductions.

It may be thought that Mr Esambert, a banker by trade, will give more weight to financial considerations that his predecessor.

Coca-Cola in South African bottling deal

Coca-Cola is to buy control of a bottling venture in South Africa in partnership with a group of black South African investors, writes Mark Suzman in Johannesburg.

Under the deal, the value of which has not been disclosed, Coca-Cola has established a joint venture with the Kunene family, long-time Coke distributors in the black townships east of Johannesburg, to purchase control of Vinto Minerals, one of seven major Coca-Cola bottling plants countrywide. It has annual turnover of about R50m ($14m).

Coca-Cola and the Kunenes will each take 50 per cent of a new investment company, Fortune Investment Holdings, which will purchase Vinto. The Kunenes will take over management of Vinto.

Coca-Cola withdrew from investment in South Africa in 1986 and announced its formal return to the country last June when it repurchased Natbev, the country's biggest Coke bottler and distributor. The company's products dominate the South African soft drink business, with over 77 per cent of the domestic market.

Deutsche Bank mulls UK move

By Nicholas Denton, Norma Cohen and Christopher Parkes

Deutsche Bank, Germany's largest bank, is on the verge of a decisive build-up of its equity business in the City of London.

Executives at Deutsche Bank and Morgan Grenfell, its UK merchant banking subsidiary, dismissed reports that a decision on the expansion would be made as early as this week.

Deutsche Bank said, nevertheless, that it was in regular discussions on the issue and said: "Our base for European equities would be London."

Mr Hilmar Kopper, spokesman for the bank's supervisory board, said: "It would have to be expanded, and I do not think it can be expanded out of Frankfurt."

The main issue to be resolved is the role that Morgan Grenfell, which Deutsche Bank purchased in 1990 for £950m, will play in the German bank's broader strategy in investment banking.

Morgan Grenfell said it would play a major role in helping to build up Deutsche's equity business. "We can assist in the process," said Mr Michael Dobson, chief executive of the UK merchant bank. The link would also allow the two entities to use each other's relationships.

Nevertheless, senior officials at the UK merchant bank are believed to be jealous of their independence of action and identity. "Morgan Grenfell is a fantastic name," said one executive at the firm. "What would Deutsche Grenfell sound like?"

Morgan Grenfell said the success of the existing relationship was attested to by the merchant bank's financial results. The company made pre-tax profits of £235.8m in 1993, an increase of 194 per cent on the previous year.

Minerals side lifts BHP in first quarter

By Nikki Tait in Sydney

Broken Hill Proprietary, the large Australian resources group, yesterday announced a first-quarter profit after tax of A$372.5m (US$275m), compared with A$316.1m in the same period last year. The result was lifted by a near-50 per cent improvement in profits from its minerals division.

Total revenues during the period increased by 7.9 per cent, to A$4.48bn, while basic earnings per share rose by 12.7 per cent to 26.7 cents.

Although the figures were in the middle of the range of original market forecasts, some analysts had upgraded their estimates after BHP released a strong August production report earlier in the week.

After-tax profits on the minerals side rose to A$227.4m from A$152m. BHP said the improvement reflected the consolidation of the Ok Tedi mine in Papua New Guinea, where it recently raised its stake by buying out the Amoco interest, together with higher shipments from the Escondida mine and higher copper prices. Partly offsetting these benefits were lower US dollar prices for coal, iron ore and manganese.

Profits from the steel division were little changed at A$139.5m. BHP said that Australian operations improved their performance but there was a lower result from BHP New Zealand Steel, due to renovation work.

Petroleum profits rose by A$9.7m to A$143.3, due to better results for the Hawaiian operations and higher sales volumes, which offset lower realised oil prices and unfavourable exchange rate movements. Profits from the service companies fell to A$10.9m from A$18.7m.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Bronwen Maddox

No hiding place

The risk that the US economy is not slowing sufficiently in response to eight months of monetary tightening is the greatest threat to current levels of US bonds and equities. The markets' anxiety that Federal Reserve open market committee, meeting tomorrow in Washington, will choose to put up interest rates again, brought the Dow Jones industrials index down by 100 points last week.

Whatever the outcome of tomorrow's meeting, however, it is hard to see equities progressing much in the short or medium term. If rates do rise tomorrow, it is possible that bond yields, already at 8 per cent, would not rise much further. But it is unlikely that bond yields would decline steadily and stay down until domestic demand has slowed for several quarters. Even then, the risk remains that the strength of recovery in other countries will boost US exports and drive commodity prices higher, producing inflationary pressures in 1995 and 1996 despite the slowing of domestic consumption.

There are, certainly, reasons why the Fed might want to wait rather than raise rates again so soon. Recent indications of an upturn in consumer spending have owed a good part to car purchases; meanwhile, the build up of inventories has raised fears that demand in some sectors is slowing. But even if the Fed does not move tomorrow, it is too early for markets to yet assume that its tightening has finished. Some brokers, such as Goldman Sachs, have been arguing that fears about the strength of the US economy have been overstated, and that markets are now set for a "relief rally". It is hard, though, to find grounds yet to think that any such rally will be prolonged.

European cyclical stocks

US nervousness has spread to European markets, already jittery on expectations that the European interest rate cycle has turned and that earnings expectations are too high. Nonetheless, ahead of this week's batch of half-year results, which includes figures from benchmark European companies, the markets appear determined to salvage some cyclical stocks from the implications of rising interest rates.

In periods, such as the present one, where rate rises are triggered by higher than expected growth in output, cyclical stocks can continue to generate earnings surprises, so the case goes. The attempts are valiant, but remain vulnerable to anything but a limited rise in rates.

Fiat

Fiat, which declares half-year figures on Thursday, is a case in point. Advocates of the Italian automotive and industrial group have caused the price to outperform the Comit index by 2.5 per cent in the past month, by 8 per cent in the last quarter and by 52 per cent in the last 12 months.

They are right to point out that in the group's recovery from last year's worst-ever losses, it has restructured and cut costs rapidly. Its balance sheet is also less vulnerable than that of many Italian companies to a sharp rise in interest rates. Its capital spending has peaked, while the pickup in cash generation and its rights issue have brought debt down to some 30 per cent of shareholders' funds.

However predictions of a rapid and sustained upturn in profits are based on assumptions about strong growth in sales, particularly of the new Fiat Punto. Those hopes rest heavily on Fiat's performance in markets outside Italy which make up 40 per cent of its automotive division.

In its drive for market share, Fiat has benefited from the lira's weakness, which has helped it fight off domestic competition as well as penetrate foreign markets. But analysts suspect that this sales drive has squeezed profit margins. If that is right, Fiat may find it hard to push up prices while European consumers fear higher interest rates. Moreover, with high operational gearing, the group remains vulnerable to a sudden slackening of demand.

Given those factors, the special circumstances of its recovery seem inadequate to detach it from the fortunes of a volatile and precarious Italian market.

UK building materials

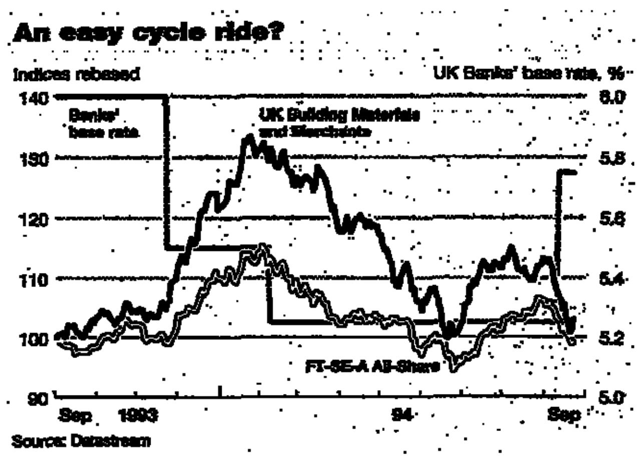
Similar questions can be posed about the argument that some UK building materials companies are worth buying because their wide spread of businesses will prolong their earnings growth beyond the sector's normal cyclical slowdown.

Half-year results from Tarmac tomorrow and Redland on Thursday are expected to show that the collapse in demand for building materials between 1989 and 1992 in the US and UK has sharply reversed. But by now, that improvement is well in the price. If they can do no more than confirm that pattern, their attractions are limited, and in Redland's case, rest principally on its 6 per cent yield.

However Redland, more than many in the sector, derives its earnings from a wide spread of countries. These results will help show whether it can keep its German profits rising fast, and can also drag its French profits back towards the level it expected when it bought Steetley.

Within those two factors is a plausible story that the company should be distinguished from the sector. But it is not a robust one if European interest rates continue to rise for an extended period. The case in favour of Redland depends – like the arguments in favour of Fiat – on a sustained upturn in many countries, but one that does not prompt renewed inflationary pressures. That is a narrow window through which to try to thread an argument in favour of even the most resilient cyclical stocks.

An easy cycle ride?



Source: Datastream

Total return in local currency to 22/9/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.09	0.04	0.09	0.10	0.16	0.10
Month	0.40	0.18	0.41	0.46	0.69	0.42
Year	2.47	2.47	5.68	6.19	8.56	5.72
Bonds 3-5 year						
Week	-0.61	0.28	-0.27	-0.31	0.49	-0.54
Month	-0.28	0.48	-0.62	-0.43	1.83	-0.24
Year	-1.94	1.91	1.84	-0.06	2.24	0.13
Bonds 7-10 year						
Week	-1.12	0.47	-0.62	-0.96	0.58	-0.68
Month	-1.11	1.23	-1.40	-1.63	1.69	-0.89
Year	-6.15	1.33	-3.17	-6.51	-3.40	-3.11
Equities						
Week	-2.8	0.2	-1.8	-4.0	0.5	-2.8
Month	-0.1	-2.9	-2.1	-6.4	-0.8	-4.6
Year	3.8	-1.1	6.9	-3.2	12.4	4.5

Source: Cash & Bonds – Lehman Brothers. Equities-© NatWest Securities.
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COMMODITIES — Richard Mooney

Base metals under scrutiny

Base metals analysts will be watching early trading at the London Metal Exchange with particular interest today.

After a week of mixed rises, followed by consolidation, further strong advances on Friday and, in late trading, widespread though moderate trimming of gains, they will be anxious to ascertain whether leading contracts are coiled for a resumption of the run-up or due for a shake-out.

Just before business ended on Friday, figures were released showing that Russian exports of copper, aluminium and nickel were running well above 1993 levels in the January-August period. It was those data that prompted the paring back of the week's advance, together with an inevitable element of profit-taking.

But today's performance should show whether the speculators who returned late last week to push copper prices to 25-month highs and aluminium prices to 3¾-year highs are ready to take their profits.

By common consent fundamental supply/demand factors suggest that LME metals are set for further, in some cases quite substantial, gains. But the question is: when?

During the present extended uptrend the LME copper price first ventured above $2,500 a tonne, for the three-months delivery position, in July. That was in response to a sudden rush of US investment fund buying, however, and many analysts were dubious that the line could be held through the northern hemisphere summer shut-down period. Their doubts were quickly justified – the price held above $2,500 for just a few days. A second attempt a few weeks ago was equally short-lived.

But the price has now been in the $2,600-plus area for 10 out of the last 11 trading days, and with the shut-down season over there is less obvious cause for caution.

Aluminium's position is similar. After a week of $1,600-plus trading, and with LME stocks falling at an increasing pace, further gains could well be on the cards, traders say.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 25.09.94 Pool purchase price £/MWh	Final Prices for Trading on 28.08.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.54	9.57	9.57
0100	9.54	9.53	9.53
0130	9.54	9.50	9.50
0200	9.55	9.50	9.50
0230	9.57	9.50	9.50
0300	9.57	9.50	9.50
0330	[illegible]	[illegible]	[illegible]
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0430	[illegible]	[illegible]	[illegible]
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2400	[illegible]	[illegible]	[illegible]

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour; to convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 26.09.94 Pool purchase price £/MWh	Final Prices for Trading on 29.08.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.54	9.56	9.56
0100	9.54	9.53	9.53
0130	9.54	9.53	9.53
0200	9.55	9.53	9.53
0230	9.65	9.53	9.53
0300	9.65	9.53	9.53
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Economic Eye / Martin Wolf

Welfare and the family

In 1991 there were some 1.8m one-parent families in the UK, containing 2.2m dependent children. In that same year, according to the Department of Social Security, around a million of these parents (overwhelmingly women) were in receipt of income support. Thus, more than three-quarters of single-parent households depend on benefits, which supports the proposition advanced two weeks ago ("Marital economics", September 12 1994), that "most women cannot bring up their children unaided". In the absence of a specific man, the main body of citizens must take up the burden.

By partially socialising the costs of child-rearing, the welfare state has made the rapid growth of single-parent families and unstable couples feasible. This does not mean, as crude conservatives are prone to argue, that women have children just to obtain benefits, such as housing.

Nevertheless, where once economic realities would have forced an unmarried girl to give up a child for adoption, now she can try to raise her child on her own. Strikingly, the rate of teenage conception in England and Wales has increased, from 57.1 per thousand girls in 1981 to 65.3 per thousand in 1991, notwithstanding provision of contraception and sex education. This is an example of incentives at work.

Similarly, where once a man who abandoned his family knew they would starve, now he knows they will survive, if miserably. Insurance changes behaviour. That is what the phrase "moral hazard" means.

Men with relatively poor earnings opportunities (of whom there are more now than 20 years ago) are competing with the state as providers of resources to the mothers of their children. Many of them come out a poor second. Equally, the welfare state subsidises serial polygyny. Well-earning men have been able to leave much of the burden of supporting their first families to the state, while women also find it easier to dump men who fall short of their desires.

These developments are not without drawbacks. One is the effect on children, particularly boys deprived of any model of masculine responsibility. The feminist view that women can bring children up better on their own seems peculiarly self-defeating. For what role in life are these mothers preparing their sons?

Another drawback is the effects on the public budget. In 1992-93 support for lone parents amounted to £6.6bn, an increase of 170 per cent in real terms since 1978-79. At 1 per cent of gross domestic product, this is not a budget-breaking sum. But it is increasing rapidly. It is also far from trivial, being as much as the Department for Education spends on higher and further education in England.

There is also substantial pressure to spend more, largely because the lot of welfare-supported single-parent households is a decidedly poor one. One such demand is for "affordable child-care". But the provision of subsidised childcare merely changes the form of the subsidy to lone parents. By tying the subsidy to work outside the home, it also skews the mother's choice in that direction. The state would then provide the childcare, which is what women offered within traditional families, while the working mother would play the traditional male role.

Greater state support for single-parent families can be encapsulated as a move towards socialising traditional male roles. But there is an alternative, embodied in the 1991 Child Support Act. This is to re-privatise that role, but without the father's presence in the family.

"The assumption that, in broken marriages or partnerships, taxpayers should assume the financial responsibility for the family is, at long last, challenged," wrote the House of Commons Social Security Committee in a report on the Child Support Agency published at the end of last year.

"In making this change a second fundamental reform is brought about. The essence of the change was to move from a legal system dealing with child maintenance on a case by case, discretionary basis to an administrative system which assesses all maintenance according to the same criteria, with the aim of achieving higher levels of maintenance."

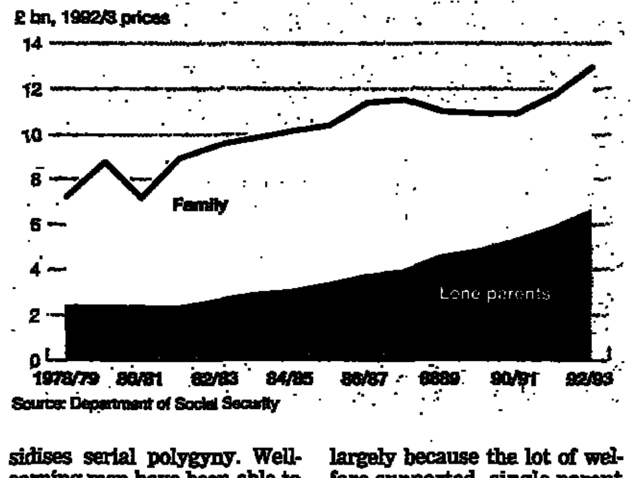
It all sounds very sensible. But, in practice, the Child Support Agency has tripped over three main obstacles: first, men have found to their horror that the basis on which they had planned their lives has been overturned; second, subsequent families have found themselves deprived in the interests of first ones; third, first families benefit only if the increased support does not substitute for the Treasury's funds, whereupon the latter loses out.

The underlying problem, however, is that there is simply insufficient money to go around. The novel patterns of child-rearing would be impossible without substantial support from taxpayers. Furthermore, since more state support is the only demand on which those directly affected are bound to agree, that is also what is likely to happen.

The CSA will probably prove a blip on a curve showing a progressive rise in the socialisation of the costs of child-rearing. There will also be a corresponding increase in the net burden on those who stick to traditional monogamy, as the fiscal benefits of marriage decline and the scale of support for lone parenthood increases. Even if the CSA were to succeed, it would merely make second families less viable, so increasing the number of mothers forced to look to the state for their main support.

The long-term social consequences of all this I leave to the reader's imagination.

Benefit expenditure on the family



Source: Department of Social Security

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 23 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY SEPTEMBER 22 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	170.32	2.1	159.95	105.19	136.75	153.38	–8.2	3.62	170.25	160.13	105.56	137.09	153.78	189.15	141.54	142.06
Austria (16)	188.75	2.0	177.24	116.57	151.54	151.49	–9.0	1.06	187.05	175.93	115.96	150.62	150.55	198.89	164.64	167.92
Belgium (37)	167.60	3.0	157.39	103.51	134.56	131.40	–9.4	4.21	166.89	156.97	103.46	134.38	131.18	177.04	143.62	144.88
Canada (103)	139.03	2.4	130.56	85.87	111.63	135.34	4.0	2.50	138.64	130.40	85.95	111.64	134.88	145.31	120.54	122.15
Denmark (33)	252.78	2.3	237.38	156.12	202.95	206.80	–6.5	1.42	251.90	236.92	156.16	202.83	206.79	275.79	223.94	226.01
Finland (24)	175.46	42.4	164.77	108.36	140.87	180.69	20.7	0.78	173.14	162.85	107.34	139.41	178.71	181.70	106.31	106.31
France (97)	169.32	–3.8	159.00	104.57	135.94	140.25	–13.8	3.14	166.86	156.94	103.44	134.35	138.60	185.37	159.34	162.88
Germany (58)	143.62	2.4	134.87	88.70	115.31	115.31	–8.9	1.78	142.28	133.82	88.21	114.56	114.56	150.40	124.39	126.47
Hong Kong (56)	396.99	–18.9	372.81	245.19	318.74	393.87	–18.9	3.12	398.13	374.47	246.82	320.59	395.02	506.56	296.56	309.84
Ireland (14)	207.97	12.3	195.30	128.44	166.97	187.81	1.4	3.39	209.27	196.83	129.74	168.51	189.31	216.60	161.54	161.54
Italy (58)	82.79	20.7	77.75	51.13	66.47	96.40	9.9	1.61	82.02	77.15	50.85	66.05	96.98	97.78	57.88	72.47
Japan (469)	162.36	24.8	152.47	100.28	130.36	100.28	8.2	0.78	161.75	152.14	100.28	130.25	100.28	170.10	124.54	152.59
Malaysia (97)	583.66	–1.3	548.11	360.48	468.61	574.63	–6.4	1.46	586.82	551.94	363.80	472.52	577.87	621.63	399.87	399.87
Mexico (18)	2357.35	–1.3	2213.71	1455.91	1892.82	8758.74	8.0	1.17	2331.23	2192.64	1445.23	1877.10	8667.35	2647.06	1645.92	1645.92
Netherland (27)	210.61	5.6	197.77	130.07	169.09	166.35	–5.8	3.46	208.37	195.99	129.18	167.79	165.13	218.19	180.25	181.00
New Zealand (14)	72.54	6.8	68.12	44.80	58.24	63.94	–0.8	3.74	71.61	67.35	44.39	57.66	63.39	77.69	59.22	60.01
Norway (23)	194.80	8.4	182.93	120.31	156.39	179.06	–2.4	1.85	195.82	184.18	121.40	157.67	180.40	211.74	165.52	169.42
Singapore (44)	371.19	1.0	348.57	229.25	298.02	253.24	–7.1	1.66	369.39	347.43	229.00	297.44	251.36	378.92	287.83	287.83
South Africa (59)	312.89	17.1	293.83	193.24	251.21	295.10	17.8	2.17	304.78	286.66	188.94	245.41	296.10	314.24	185.64	185.64
Spain (42)	140.19	0.6	131.65	86.58	112.56	138.08	–8.8	4.24	137.80	129.42	85.30	110.79	139.75	155.79	128.88	134.59
Sweden (36)	224.89	14.5	211.19	138.90	180.56	248.71	2.6	1.80	222.92	209.67	138.20	179.50	246.16	231.35	175.83	189.04
Switzerland (47)	166.56	4.0	156.41	102.86	133.72	132.53	–10.1	1.88	165.80	155.94	102.78	133.50	132.24	176.56	136.89	136.89
United Kingdom (204)	194.90	–5.0	183.03	120.38	156.49	183.03	–10.9	4.15	194.19	182.64	120.39	156.36	182.64	214.96	161.11	164.17
USA (516)	187.56	–1.2	176.13	115.83	150.58	187.56	–1.2	2.90	188.21	177.02	116.68	151.54	188.21	196.04	178.95	187.19
EUROPE (717)	170.56	1.2	160.16	105.33	136.93	150.52	–8.8	3.09	169.26	159.19	104.93	136.29	149.72	178.59	153.98	154.34
Nordic (116)	217.85	15.0	204.58	134.55	174.90	206.08	2.1	1.44	216.23	203.37	134.05	174.11	204.66	222.19	173.19	176.97
Pacific Basin (748)	172.10	18.8	161.62	106.29	138.18	111.40	5.3	1.06	171.58	161.39	106.38	138.17	111.43	178.86	134.79	157.26
Euro-Pacific (1465)	171.32	10.5	160.88	105.81	137.55	127.10	–1.1	1.93	170.48	160.35	105.69	137.27	126.84	175.14	143.88	156.95
North America (619)	184.53	–1.0	173.29	113.97	148.16	183.92	–1.0	2.88	185.12	174.12	114.77	149.06	184.50	192.73	175.67	183.17
Europe Ex. UK (513)	153.60	4.1	144.24	94.86	123.32	130.96	–7.4	2.47	152.08	143.04	94.28	122.46	130.02	158.12	134.97	135.34
Pacific Ex. Japan (279)	266.49	–7.1	250.26	164.59	213.96	237.11	–11.2	2.74	266.82	250.96	165.41	214.85	237.57	296.21	203.19	203.19
World Ex. US (1645)	173.32	10.2	162.76	107.04	139.15	131.04	–0.6	1.94	172.39	162.14	106.87	138.81	130.76	176.65	145.58	158.02
World Ex. UK (1957)	175.27	7.0	164.59	108.25	140.72	145.07	0.3	2.07	174.90	164.50	108.43	140.83	145.07	178.59	155.98	163.61
World Ex. So. Af. (2102)	176.15	5.8	165.41	108.79	141.42	147.48	–1.0	2.27	175.80	165.35	108.99	141.55	147.45	180.03	158.54	165.42
World Ex. Japan (1692)	186.92	–0.4	175.53	115.44	150.07	176.66	–4.3	2.81	186.61	175.52	115.69	150.26	176.63	195.20	174.11	174.18
The World Index (2161)	177.01	6.9	166.23	109.32	142.12	148.56	–0.9	2.27	176.61	166.11	109.49	142.21	148.53	180.80	158.85	166.43

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local). Japan market closed 23/9/94. DELETIONS: Treibacher Chem (Austria), LAC Minerals (Canada), McCaw Cellular Communications (USA). NAME CHANGE: Allied-Lyons to Allied Domecq.

EMERGING MARKETS: This Week

The Emerging Investor / **Patrick McCurry**

Brazilian markets put faith in Cardoso reforms

When Latin America's biggest economy goes to the polls next Monday its financial markets, and especially São Paulo's roller coaster stock market, hope to be toasting Mr Fernando Henrique Cardoso as Brazil's next president.

The market is betting that Mr Cardoso will speed up privatisation and introduce fiscal reforms to underpin Brazil's current stabilisation plan, which has brought monthly inflation down from 50 per cent in June to below 5 per cent at present.

Such reforms are likely to lead to strong, perhaps explosive, growth for the equity market and a big increase in capital raising by Brazilian companies as economic stabilisation triggers pent-up consumer demand.

If, as polls suggest, Mr Cardoso wins more votes than the other candidates combined on Monday, a run-off ballot in mid-November will be avoided and Mr Cardoso would enjoy a strong mandate for change.

But São Paulo's volatile stock market, the fastest growing Latin American market this year, is likely to fall in the short term if the election goes to a run-off ballot, which would probably pit Mr Cardoso against the left-wing Mr Luis Inácio Lula da Silva.

Mr Cardoso is leading Mr da Silva by more than 20 points in the polls, largely due to the success in tackling inflation of Brazil's new currency, the real, which Mr Cardoso steered through Congress while finance minister.

Market optimism about the real, which is linked to Brazil's foreign exchange reserves of *around $40bn*, led *São Paulo's* main index to climb by 65 per cent in dollar terms in July and August, although it has since stabilised as investors take profits. Over the year the index is up by about 90 per cent.

One of the spurs to the growth has been growing foreign investment, which has boosted trading volumes and is expected to increase if Mr Cardoso wins the election.

Net foreign investment in the stock market this year reached $5bn by the end of August compared to $5.5bn for the whole of 1993 and $1.3bn in 1992. Market capitalisation was $163bn at the end of August.

Although foreigners account for only about 20-25 per cent of trading compared to more than half in Mexico, a taste of what may occur under a Cardoso presidency came last month when there was a record net inflow of $1.5bn to the stock market from overseas and volume averaged $500m a day as a Cardoso victory seemed increasingly likely.

Despite shares' recent appreciation and the fact that many are now trading at above their book value, the potential for growth is still huge and could reach 300 per cent under the four years of a Cardoso presidency, according to some bullish brokers.

They point to Brazil's internal market of 150m consumers, a strong and competitive private sector and an economy that is operating at well below capacity.

To tap this potential, say reformers, there needs to be more privatisation combined with an overhaul of Brazil's *precarious public finances, its* unwieldy tax system and a social security programme under serious funding pressures.

Analysts believe that even though Mr Cardoso's left-of-centre Social Democrats will not have a majority in Congress, they are expected to pick up seats there and in state elections. This, combined with Mr Cardoso's electoral allies in the right- wing Liberal Front party could provide a platform for change.

Mr Sergio Goldman, an associate director at financial house Bear Stearns' São Paulo office, highlights government-controlled giants like the telecom company Telebrás which could be privatised.

"A privatised Telebrás would be expected to make a return on equity of at least 10 per cent instead of the 3 per cent it will *probably show this year. That* would mean an increase in profits from $500m to over $1.5bn," says Mr Goldman.

However, given Brazil's fragmented political system and opposition to radical change in some areas, such as government-controlled companies, analysts are unsure about how quickly reforms will occur. Some bankers are also cautious about equities growth, even if reforms are adopted.

Mr Wayne Perkins, a vice-president at Brazil's Banco Norchem, expects shares to be bullish but says many of the expected reforms have already been anticipated by the market, that equities are now at a record high and overvalued on several measures *including* expected return on equity.

Among the sectors expected to outperform the market, he says, are those in areas like food, clothing, retail and electrical goods aimed at poorer consumers who are likely to benefit from increased purchasing power with lower inflation. Previously these consumers, *who did not have* savings accounts, saw their salaries eroded daily by inflation.

But Mr Perkins stresses that stock picking will be the key as many shares in these sectors have already shot up in value this year in expectation of stabilisation.

The retail chains Lojas *Americanas and Casa Anglo*, for example, are now trading at four times their book value per share, he notes.

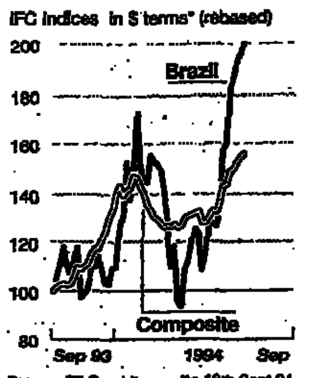
Analysts also predict a big increase in share issues by companies looking for investment capital. Because of Brazil's economic problems and low equity prices companies have not been increasing share capital. There has actually been a reduction in the number of listed companies in recent years. But that scenario should change if the economy is stabilised.

A rising stock market is expected to prove more attractive than the small local bond market or the international debt markets for companies seeking capital.

To exploit the promise of underwriting fees for equity issues and initial public offerings as well as opportunities in the growing American depositary receipts (ADR) and mergers and acquisitions markets many foreign investment banks have been opening offices in São Paulo.

Those companies are confident that even if Brazil's stabi*lisation attempt fails this time* round the country will sooner or later tackle its economic problems.

According to a New York-based banker, the question is not whether reforms will happen but when they will happen: "There's a lot of pressure for change in Brazil. If the real currency fails there will be a *crisis and that will make* the need for reforms even clearer."



Source: FT Graphite *to 16th Sept 94

Ten best performing stocks

Stock	Country	Friday 23/9/94	Week on week change $	Week on week change %
Telefonos (A)	Peru	1.3930	0.2998	27.42
Guoco Holdings Philippines	Philippines	0.2701	0.0577	27.17
Telefonos (B)	Peru	1.4731	0.2904	24.56
Kordosa	Turkey	0.4748	0.0924	24.16
Banco Wiese	Peru	5.7855	1.0576	22.37
La Fabril	Peru	2.1006	0.3700	21.38
Aksa Akrilik Ve Kimya Sanayii	Turkey	0.6866	0.1130	19.70
Alarko Holdings	Turkey	0.8619	0.1412	19.60
Brisa	Turkey	0.2075	0.0310	17.54
Peru-Pacifico	Peru	1.0681	0.1582	17.39

Source: Baring Securities

News round-up

■ Cairo

The Egyptian government has again extended the deadline for offers to buy the state-owned Beni Suef Cement Company, one of the largest companies to be sold in in the government's privatisation programme, from October 5 to November 5.

■ Bombay

Turnover on India's 23 bourses is forecast to triple over the next three years, with capitalisation doubling to $300bn, says Barclays de Zoete Wedd (Asia), *Reuter reports.*

India has been one of this year's best performing emerging markets, up 24 per cent in dollar terms so far.

■ Russia

The Fleming Russia Securities Fund has raised over $55m. The closed-ended fund aims to achieve capital growth by investing in newly privatised Russian companies.

■ Mexico

Foreign investment in Mexico amounted to $8.98bn in the first eight months of the year, a 29 per cent increase over corresponding 1993 levels.

Foreign investment since the beginning of 1989 totals $50.72bn, more than double the original target of $24bn.

■ Poland

The Polish agriculture ministry plans to create five regional commodity exchanges as a part of a broad programme to adjust the country's agriculture to western standards. The exchanges, trading in agricultural products, would be located near Warsaw, Gdansk, Elblag, Katowice and Lublin and be a part of a nationwide farming products' wholesale system, compatible with those existing in the European Union.

■ Shanghai

Funds from other parts of China have been flowing into the Shanghai stock market since a rally began in August after the banning of new listings of A shares this year, according to the Shanghai Securities News.

● *Emerging markets coverage* appears daily on the World Stock Markets page

CURRENCIES Philip Gawith

Markets watch for dollar moves

Possible interest rate rises and trade negotiations will be the key factors motivating the markets this week as the dollar comes under scrutiny.

*Currency traders will focus on tomor*row's meeting of the Federal Open Markets Committee, the policy-making arm of the US Federal Reserve Board, as speculation mounts that growing fears *of* inflation could prompt further monetary tightening.

Although some analysts believe the Fed may hold its fire at tomorrow's meeting, an earlier rather than later rate rise seems on the cards. Such a move might lend some support to the dollar, though the US currency could also follow bond markets, which would not respond well to a rate increase.

The markets will also be increasingly vexed by the trade negotiations *between the US and Japan as the Sep*tember 30 deadline for sanctions looms close on the horizon. If the governments can avoid sanctions, it should be positive for the dollar. Analysts are sceptical, however, that a full settlement will be reached.

Inflation, unemployment, retail sales and industrial production figures from Japan could also prejudice market views on the strength of the yen against the dollar, but traders should focus primarily on trade rather than domestic issues.

In Germany, the markets will turn their attention to the Bundesbank meeting on Thursday, although expectations *of interest rate movements are subdued* in advance of the October 16 general elections.

Following yesterday's state poll in Bavaria, the markets will be concerned about the performance of the liberal Free Democratic party, Chancellor Helmut Kohl's junior alliance partner.

The markets will want to gauge the possibility of a coalition between Chancellor Kohl's Christian Democrats and the Social Democratic party.

Following last week's relatively strong performance by sterling after a raft of positive statistics, the markets may lend a softer tone to the pound in the absence of any notable data *releases.*

The markets will also be watching Monday's meeting between the UK Chancellor of the Exchequer, Mr Kenneth Clarke, and Mr Eddie George, the Bank of England governor, for signs of policy changes.

Investors may also watch for comments from world officials in the run-up to Saturday's Group of Seven meeting and next week's annual meeting of the International Monetary Fund and World Bank.

Baring Securities emerging markets indices

Index	23/9/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (288)	190.51	+0.29	+0.15	+4.00	+2.15	+22.10	+13.12
Latin America							
Argentina (20)	113.90	-1.08	-0.94	+1.50	+1.33	-1.48	-1.29
Brazil (22)	251.33	+4.55	+1.84	+4.70	+1.91	+111.68	+79.97
Chile (12)	202.90	+3.08	+1.54	+8.20	+4.21	+55.36	+37.52
Mexico (26)	159.59	+0.78	+0.49	-0.64	-0.40	−1.68	−1.04
Peru(16)	896.90	+112.17	+14.29	+119.46	+28.60	+320.81	+55.69
Latin America (96)	182.74	+2.16	+1.19	+2.93	+1.63	+33.49	+22.44
Europe							
Greece (13)	83.15	-2.72	-3.16	-4.28	-4.89	+0.06	+0.07
Portugal (16)	118.44	-3.07	-2.53	-3.84	-3.14	+6.32	+5.63
Turkey (20)	81.65	+5.78	+7.61	-1.77	-2.13	−80.06	−49.51
Europe (49)	98.55	-1.18	-1.18	-3.57	-3.49	-13.69	-12.20
Asia							
Indonesia (22)	156.59	-4.26	-2.65	+5.33	+3.52	−14.45	−8.45
Korea (23)	163.85	+6.31	+4.01	+24.67	+17.73	+54.15	+49.36
Malaysia (23)	246.32	-5.48	-2.18	+2.91	+1.19	−6.73	−2.66
Pakistan (10)	117.49	+0.64	+0.55	+6.20	+5.57	+5.80	+5.19
Philippines (11)	291.81	+1.52	+0.52	-15.92	-5.17	−30.67	−9.51
Thailand (24)	266.24	-8.55	-3.11	+7.35	+2.84	+2.69	+1.02
Taiwan (30)	179.82	-1.11	-0.61	+10.78	+6.38	+26.12	+16.99
Asia (143)	230.75	-2.92	-1.25	+8.17	+3.67	+9.34	+4.22

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 23, 1994 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4097.80	2595.39	1680.72	2658.47
Albania	(Lek)	157.800	99.8226	64.6431	102.172
Algeria	(Dinar)	62.2512	39.4294	25.5337	40.3673
Andorra	(Fr Fr)	8.3386	5.2803	3.4194	5.4046
Gambia	(Dalasi)	14.9720	9.4831	6.141	9.7063
Germany	(D-Mark)	2.4380	1.5442	1	1.5805
Ghana	(Cedi)	1560.24	988.244	639.967	1011.5
Gibraltar	(Gib £)	1.00	0.6333	0.4101	0.6482
Pakistan	(Pak. Rupee)	48.3404	30.6184	19.8276	31.3389
Panama	(Balboa)	1.5788	1	0.6475	1.0235
Papua New Guinea	(Kina)	1.4525	-0.92	0.5957	0.9416
Paraguay	(Guarani)	3018.83	1912.1	1238.24	1957.1
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Special Drawing Rights [illegible]

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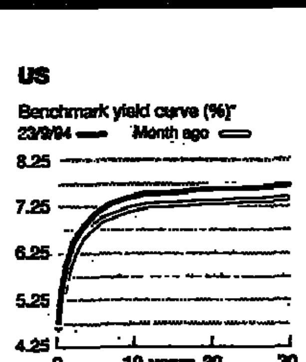
WORLD BOND MARKETS: This Week

NEW YORK
Tony Jackson

The main event for the bond market this week is Tuesday's Federal Open Market Committee Meeting. The market has convinced itself that the Fed will raise rates by another half point by the year-end. A minority view says it will happen tomorrow.

There is still no real evidence of inflation at the consumer level. The worry is rather that the Fed will react to recent rises in producer prices and capacity utilisation, besides the continuing surge in gold and commodity prices. The dollar also remains weak, not helped by last week's bad trade figures.

Since a half point rise in the funds and discount rates is already in the price, a Fed move this week might even be seen as positive. But the market has to weather a further set of statistics this week: homes sales today, consumer confidence on Tuesday, durable goods orders on Wednesday and personal income figures on Friday.



*All yields are market convention
Source: Merrill Lynch

For close observers of Mr Alan Greenspan's testimony to the Senate Banking Committee last week, the danger signals may not be confined to the US. The Fed chairman talked about the strength of global expansion, implying that inflation pressures may be worldwide in character.

For those in the bond market who cannot quite believe inflation's 25-year reign is really over, there will always be something to worry about.

LONDON
Philip Coggan

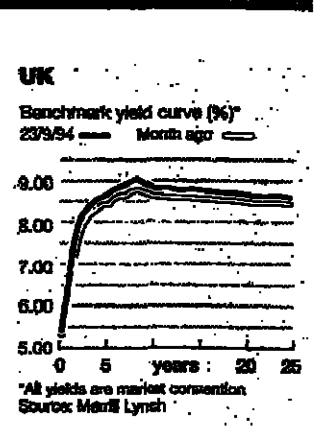
The key event of the week will be Wednesday's £2bn auction of stock yielding 8½ per cent and maturing in 2005.

Both Mr Nigel Richardson of Yamaichi International (Europe) and Mr Simon Briscoe of S.G. Warburg Securities expect the auction to go well, since the stock is likely to become a benchmark issue.

Furthermore, Mr Briscoe thinks the Bank of England will be able to launch a further tranche of the stock at one of the later auctions this year.

A successful auction would come as a great boost to a market battered by the recent rise in US Treasury bond yields and some poorish UK inflation statistics. Ten-year yields have been trading around 9 per cent but Mr Briscoe thinks gilts could now be due for a rebound.

The monthly meeting between Mr Eddie George, governor of the Bank and Mr Kenneth Clarke, the chancellor, has been brought forward to today because of the



*All yields are market convention
Source: Merrill Lynch

latter's commitments to the IMF meeting in Madrid later this week. Few expect a further base rate rise so soon after September 12's half point increase.

In the absence of much in the way of UK economic statistics, international markets will have a substantial influence, with traders watching closely for the outcomes of meetings of the Federal Reserve and the Bundesbank this week.

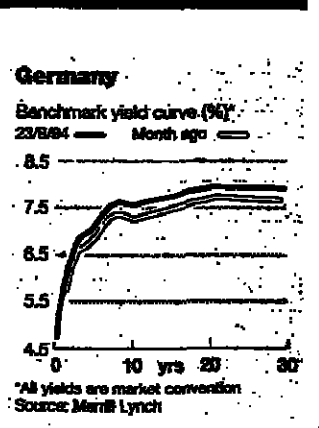
FRANKFURT
Christopher Parkes

The revival in the German economy's status – it is once again, in the Bundesbank's words, an important motor of European growth – appears still to be proceeding free of inflationary pressures.

September's preliminary cost of living data published on Friday was in line with modest expectations. Longer-term price prospects also seem favourable in the light of the moderate trade union statements in advance of the new year wages round. The chemicals union, for example, let it be known last week that its main aim will be to promote job creation rather than claw back losses in real incomes when it comes to negotiate.

There was also good news on technical factors: above all, a further marked decline in money supply growth.

All of this appears to consolidate the Bundesbank's relatively comfortable position, in which it has the scope but no immediate need to cut rates, least of all at this



*All yields are market convention
Source: Merrill Lynch

Thursday's routine central council meeting.

Against this background, German bonds recovered quietly near the end of last week. Further improvement is expected, but the tendency among foreign investors to reduce their involvement in the run-up to federal elections, and nervousness about further monetary tightening in the US are still preventing any build-up of momentum in the local market.

TOKYO
Emiko Terazono

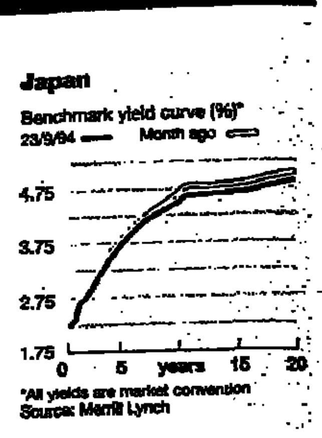
Japanese government bonds were supported last week by the weakness in the stock market and were little affected by the turmoil on the US bond market.

Bond prices also failed to react to the government's tax package announced later in the week, since much of the detail was floated in the press before hand.

But while last week's second-quarter GDP figures confirmed the expected slack recovery process, investors have yet to start their trading for the second half and are expected to remain sidelined this week.

Money market rates also reflect caution over a possible rise in interest rates. Euroyen futures markets currently indicate that short-term money market rates will rise from the current level of 2.3 per cent to 2.5 per cent by the year-end and over 3 per cent by the middle of next year.

Meanwhile, bond market participants will focus on the



*All yields are market convention
Source: Merrill Lynch

spate of economic indicators released this week. August industrial output figures to be announced this Thursday are expected to rise due to the hot summer and high electricity demand, hence being negative for the bond market.

Barclays de Zoete Wedd in Tokyo expects production to have risen by 2 per cent in August from a month earlier and a 1.8 per cent year-on-year rise, the strongest since July 1991.

Capital & Credit / Conner Middelmann

Further decline in bund yields in prospect

Funding concerns, inflation fears and weak US Treasuries recently propelled German bond yields to new highs for the year. But last week's comforting news on supply and inflation helped them recoup some of their losses, and analysts say more gains are in store.

"We had some good fundamental data this week which challenged some of the more sceptical prognoses," says Armin Kayser, German economist at Swiss Bank Corporation in Frankfurt. "In view of these fundamentals, 7¾ per cent yields began to make little sense," he says. SBC expects bund yields to decline to 7 per cent in the next three months and to fall to 6½ per cent by September 1995.

Among the good news last week were monetary data confirming continued deceleration of Germany's M3 money supply growth and regional inflation numbers below the 3 per cent forecast for September.

The supply spectre, too, began to appear less daunting after the publication of the Bundesbank's issuance calendar for the final quarter. While another DM35bn–DM45bn in government and Treuhandanstalt debt is expected this year, only two long-dated government bonds are slated, with the rest likely to be issued in medium maturities through tap sales.

All this has lent support to the long end of the German yield curve, causing the yield on the 10-year benchmark bund to fall to 7.58 per cent on Friday, from 7.70 per cent at Wednesday's close.

"With the better than feared funding calendar, the first cornerstone of the expected 'post election/easing supply pressure rally'... has fallen into place," says Mr Stefan Schneider, chief economist at S.G. Warburg in Frankfurt. He expects 10-year yields to fall back to 7¼ per cent in the near term, before returning to 7½ per cent by the first quarter of 1995.

Bunds also gained support from the Bundesbank's announcement that tomorrow's new bund would take the form of a 10-year floating-rate note pegged to the three-month Frankfurt Interbank Rate.

The market's reaction to this announcement was mixed. Some argued it reflected the Bundesbank's problems of placing more supply at the long end after recent difficult auctions. "After the difficulties it had in placing 7½ per cent Treuhand bonds in August, the Bundesbank may have wanted to avoid the risk of offering a bund with an even higher coupon and still finding no demand," says Mr Schneider.

But others said the floater would ease the supply burden at the long end, allowing the yield curve to flatten. Moreover, the issue is expected to see strong demand from the recently established money market funds, which have an enormous appetite for liquid, highly-rated money market paper. A further advantage of issuing a floating-rate bond amid still-fragile market sentiment is that it will prevent the futures selling that has preceded previous fixed-rate issues.

"A floater entails lower price risk than a fixed-rate bond, and traders don't need to sell futures ahead of the issue, which has undermined the market in the past," says one trader.

Some observers also say the decision to issue a floater may reflect the Bundesbank's expectation that long yields have peaked.

"The Bundesbank has an uncanny knack of pinpointing the turning points in the bund cycle, for example issuing 30-year paper when yields bottomed in late 1993 and in 1986, and issuing FRNs in 1990 when nominal yields peaked," says Mr Troy Bowler, strategist at PaineWebber in London.

However, although the improving inflation outlook and floating-rate issuance may lend support to bunds near-term, several risks remain: possible setbacks in the US Treasury market amid continued monetary tightening by the Federal Reserve; the forthcoming German wage round; and the German federal elections on October 16.

The latter especially could spring a nasty surprise on a bund market firmly expecting a victory for Chancellor Helmut Kohl's CDU-FDP coalition.

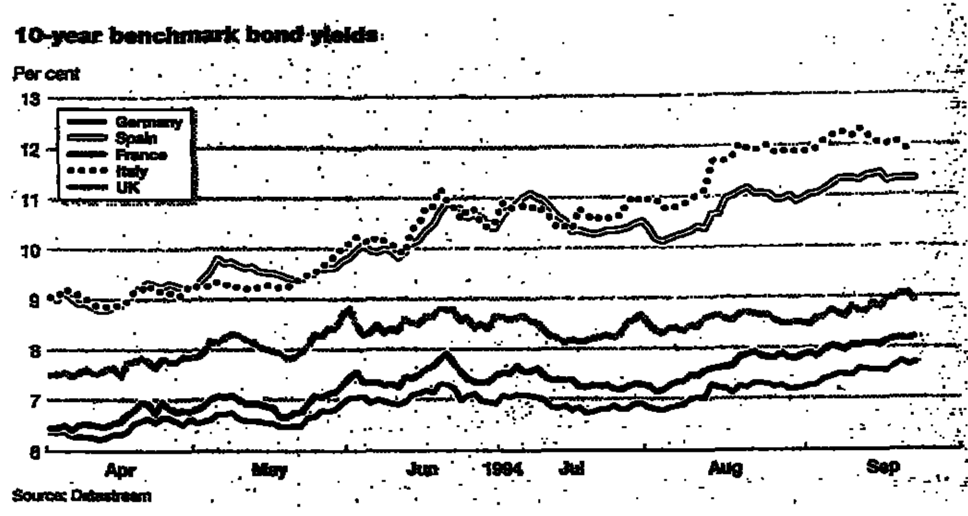
Many market participants seem unaware that the complicated German electoral system could enable the PDS, the former East German communist party, to enter the lower house of parliament, even if it doesn't clear the 5 per cent hurdle normally needed to win parliamentary seats.

Although the leader of the opposition social democrats has said he does not intend to gain office through the support of the PDS, some feel he could be swayed by the lure of chancellorship after the elections to establish some sort of SPD-Green-PDS alignment.

Given these imponderables, those looking for further rate cuts from the Bundesbank will probably have to wait a little longer. Even the rate for its weekly securities repurchase agreements is expected to be held fixed at 4.85 per cent until after the elections.

"The Bundesbank is unlikely to cut rates over the next weeks with the election, further Fed hikes and the upcoming wage round being potentially destabilising factors," says Mr Schneider.

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	4.00	1.75	4.50	6.40[1]	7.50	5.75[2]
Overnight	4.83	2.34	4.31	5.25	7.87	4.25
Three month	4.90	2.31	4.93	5.60	8.37	5.75
One year	5.89	2.82	5.50	6.31	10.10	7.37
Five year	7.19	3.85	7.05	7.68	12.10	8.73
Ten year	7.79	4.61	7.57	8.11	11.92	8.86

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	99-13	99-09	-0-04	99-23	98-31	320,722	387,114
Dec	98-22	98-19	-0-04	99-01	98-12	1,157	15,387
Mar	-	97-31	-0-04	-	-	29	843

International / Graham Bowley and Martin Brice

Volatility puts fundraising on hold

Abbey National, the UK home loans and banking group, last week became the latest casualty of this year's sharp fall in world bond markets when it was forced to postpone its proposed global bond offering due to "terrible market conditions".

The postponement raises an obvious question: How badly has the extreme volatility in the bond markets this year affected borrowers' funding programmes?

Many borrowers have simply had to swallow hard and pay the high price of borrowing in a bear market. Ever since the first rise in US short-term interest rates in February, investors have been jittery about the prospects of rising inflation and higher interest rates worldwide. Long bond yields in the UK, for example, have risen from 6.3 per cent in January to around 9 per cent.

Other borrowers, however, managed to complete most of their fundraising in the first part of this year before yields reached their current dizzy heights. Abbey National, for example, has already raised $8bn so far this year.

"A lot of funding was done in the first few months of the year. With interest rates at historically low levels, many borrowers were eager to get as much under their belt as possible," said one syndicate manager.

Other examples include the Province of Ontario, one of the world's biggest non-sovereign borrowers, which is now 88 per cent of the way through its C$11.4bn borrowing programme for this year. Similarly, the European Bank for Reconstruction and Development has already managed to raise 80 per cent of its Ecu1bn borrowing programme for 1994.

These borrowers can now perhaps afford to wait until conditions improve before they have to tap the bond markets for any substantial amount again. "We now have the ability to wait out the bad times. This year we were lucky enough to anticipate some of the volatility," said Mr Louis de Montpellier, the EBRD's director of funding.

Other borrowers, particularly in the corporate sector, have simply not needed to tap the bond markets this year, for two main reasons.

First, many companies have been keen to cut back on the amount of debt they hold, in part to reduce their exposure to rising interest rates. As a result, they have borrowed less.

Second, they have been able to find relatively cheap alternative sources of finance. Put off by the high yields on long-term fixed-rate debt, they have turned to short-term, private, highly structured means of borrowing, such as the floating-rate note and syndicated loans market, both of which have seen an explosion of activity this year.

"There is no doubt that most borrowing has been hampered this year, but what has been bearish for one market has been bullish for another," said one dealer.

Floating-rate notes are a type of short-term debt offering a relatively low variable rate of interest which moves to reflect changes in money market interest rates. They therefore represent an obvious refuge for investors in a rising interest rate environment.

As a result, as US interest rates headed upwards in the first few months of this year, and as the fixed-rate bond market began to slow, there was a flood of new FRN issues. Borrowers launched an equivalent of $34.1bn in FRNs in the first three months of 1994, compared with a total of $17.1bn in the first quarter of 1993.

The syndicated loans market has provided companies with an extremely cheap source of finance in the second half of this year. Having repaired the damage done to their balance sheets by the bad debts of the late 1980s, and with loans granted at the end of the last decade now close to maturity, many banks have become very eager to begin lending again – and have turned aggressively to syndicated loans.

"Banks are awash with capital and are hungry for new assets," said one syndicate manager in London.

Competition among banks for new business has driven the cost of loans down to remarkably low levels. Over the last year, the spread over Libor on a syndicated loan to a typical European corporate borrower, with a Single A credit rating, has dropped from about 45 basis points to around 20 to 22 basis points. Last month, Spain borrowed Ecu6bn over five years at a spread of just 4¼ basis points over Libor.

"Spain would not have been able to borrow such a large amount and at such a low cost in the bond market," said one syndicate manager.

This does not mean, however, that volatile conditions in bond markets have become irrelevant. Many countries, particularly high yielding European nations which were badly affected by this year's turbulence, still have large funding programmes to complete. They will be returning to the bond markets before the end of the year whether conditions have improved or not.

Other borrowers may wait for better conditions to prevail but this may prove to be a very dangerous game to play.

"There is little chance that bond market conditions are going to improve with a lot of supply still to come into the market and with European interest rates heading upwards," said one trader.

High yields may hurt but if the prospect is for them to move higher still, it may be better to brave current conditions sooner rather than later.

NEW INTERNATIONAL BOND ISSUES

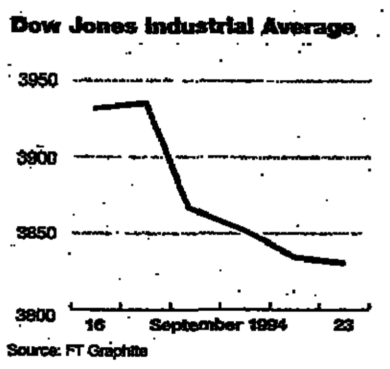
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Telekom Malaysia(a)§	350	Oct.2004	4.00#	100.00	-	-	CS First Boston
General Motors Accept.Corp.	200	Oct.1997	7.25	99.95R	7.269	+47(6½%-97)	Swiss Bank Corp.
World Bank	1.5bn	Sep.1999	7.125#	99.471R	7.253	+9(6¾%-99)	Lehman Brothers/ UBS
HACCMT I, Class A(e,s)★	870	Dec.1999	7.00	99-28+	7.272	+36(6½%-97)	Goldman Sachs & Co.
Yasuda Trust Asia Pac.(f)‡	100	Sep.2004	(f1)	102.00	-	-	Nomura International
Bc.de la Provincia de Cordoba	60	Sep.1996	11.00#	99.70R	11.17	+475(6¾%-96)	Yamaichi Intl.(Europe)
Banco Fiora	50	Sep.1997	10.50#	97.04R	11.70	+497(6½%-97)	ING Bank
Toyota Motor Credit Corp.	300	Oct.1996	6.75	99.95R	6.778	+12(6% 2yr)	CS First Boston
Republic of Trinidad & Tobago	150	Oct.2004	11.75#	99.734R	11.80	+425(7¼%-04)	Citibank International
Nordbanken(a)‡	100	Oct.2004	(a1)	99.58R	-	-	Chemical Inv'ment Bk.
Banco de Credito Argentino(j)	75	Sep.1995	8.125#	99.526R	8.625	+275(T-bill)	Merrill Lynch Intl.
YEN							
Daiwa Intl.Fin.(Cay)(g,s)★	15.5bn	Jan.2005	(g1)	100.00	-	-	Nomura International
Daiwa Intl.Fin.(Cay)(i,s)★	10bn	Dec.2004	(i1)	100.00	-	-	Merrill Lynch Intl.
Daiwa Intl.Fin.(Cay)(k,s)★	8bn	Jun.2005	(k1)#	100.00	-	-	Salomon Brothers Intl.
Daiwa Intl.Fin.(Cay)(s)★	7.5bn	Dec.2004	5.00	100.00	5.000	-	Morgan Stanley Intl.
Daiwa Intl.Fin.(Cay)(m,s)★	2.5bn	Dec.2004	(m1)#	100.00	-	-	Salomon Brothers Intl.
STERLING							
Halifax Building Society	250	Oct.1997	8.75	99.34R	9.011	+30(8¾%-97)	SG Warburg Secs./ UBS
Leeds Permanent B/S‡	100	Oct.1999	(b)	100.00	-	-	HSBC Markets
City of Kobe	200	Oct.2004	9.50	99.45R	9.588	+40(6¾%-04)	UBS
Alliance & Leicester B/S‡	100	Oct.1999	(n)	100.00	-	-	JP Morgan Securities
Nestlé Holdings(UK)(i)	75	Dec.1997	8.75	99.90R	8.78	+10(8¾%-97)	JP Morgan Securities
European Investment Bank	100	Oct.1998	8.875	101.00	8.569	-	HSBC Markets
D-MARKS							
Bangkok Bk.of Commerce(h,b)§	100	Oct.1999	4.375	100.00	-	-	Bayerische Vereinsbank
ITALIAN LIRE							
Republic of Argentina	300bn	Oct.1997	13.45	99.125R	13.83	+185(9½%-97)	Cariplo
European Inv'ment Bank(e)	200bn	Oct.1997	11.45	102.00	10.64	-	Rome/Deutsche/MI Lux
ECUS							
Philip Morris(q)	150	Oct.1998	8.50	100.00R	8.500	+30(8½%-98)	Paribas Capital Markets
European Investment Bank(q)	300	Oct.1998	8.25	99.36R	8.412	+2(5%-98)	Swiss Bank Corp.
AUSTRALIAN DOLLARS							
Australian Ind.Dev.Corp.	100	Nov.1997	9.00	100.625	8.754	-	Hambros Bank
Commerzbank O'seas Finance	125	Nov.1999	10.00	101.90	9.505	-	Hambros Bank
ESCUDOS							
Banco Santander(r)‡	15bn	Oct.2004	(r1)	100.00	-	-	BSN Portugal
SWISS FRANCS							
Essid Glico Co.(c)(p)★	100	Sep.1998	1.50	100.00	-	-	Credit Suisse
Dresdner Finance(d)	150	Nov.1998	5.50	102.375	4.833	-	Dresdner(Schweiz)/UBS
L-Bank	150	Nov.1997	5.375	102.25	4.558	-	UBS
World Bank	200	Oct.1999	5.50	102.30	4.969	-	UBS
Merck & Co.	200	Nov.1997	5.375	102.30	4.538	-	Credit Suisse
LUXEMBOURG FRANCS							
Swedish Export Credit(i)	2bn	Dec.1998	8.00	102.40	7.30	-	BGL/Bqe. Paribas Lux.
BMW Finance	3bn	Nov.2000	8.25	102.35	7.748	-	BGL
City of Copenhagen	2bn	Oct.1999	8.00	102.30	7.506	-	Kredietbank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. #With equity warrants. ★Unlisted. #Semi-annual coupon. R: fixed re-offer price. a) Conv price: M$23.4. FX: 2.5585M$/$. Callable from 21/10/99 at par. Greenshoe: $52½m. b) Denom: DM1,000 + 1 wrt. Ex price: baht24. FX: 16.06125baht/DM. c) Denom: SFr50,000 +60 wrts. Ex price Y1113. FX: 77.497Y/SFr. Redemption clause Aug.98; max 20%. d) Long last coupon. e) Household Affinity Credit Card Master Trust. Expected maturity: 15/12/97. Expected average life: 3 yrs. Monthly coupons. Class B: undisclosed. f) Amortises after 3 yrs at rate linked to Libor index. f1) 3-mth Libor +½%, max 10%. g) Callable on 6/1/00 at par. g1) 5% to 6/1/00 and 5½% thereafter. i1) 3-mth Libor +1/16%. j) Callable on 28/12/00 at par. j1) 5% to 28/12/00 and 5.3% thereafter. k) Callable on 29/12/99 at par. k1) 5% to 28/12/99 and 5.26% thereafter. l) Long 1st coupon. m) Callable on 29/12/99 at par. m1) 5% to 29/12/99 and 5½% thereafter. n) 3-mth Libor +1/8%. o) Issue launched on 19/9/94 was increased to L700bn. p) Callable in Oct.96 at par. p1) 3-mth Libor +45bp to Oct.99 and +195bp thereafter. q) Spread relates to French Govt Ecu OTAN's. r) Callable annually after 5 yrs at par. r1) 6-mth Libor +15bp. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

All eyes on the Federal Reserve



Source: FT Graphite

It is abundantly clear this morning that sentiment on Wall Street in the final week of the third quarter will hinge on the outcome of tomorrow's Federal Reserve policy session. It is much more difficult to divine how investors will react to any decision forthcoming from Washington.

But analysts are not expecting stocks to make much progress in the short term, whether or not Mr Greenspan and company come down in favour of an immediate move to tighter money.

"The market is facing a lot of head-winds these days," says James Solloway, an analyst at Argus Research in New York and one of Wall Street's more bullish pundits.

"It all comes down to the realisation that whether the Fed raises rates or not, it's certainly going to raise them sooner or later, and the next time won't be the last."

The best hope of most strategists is that share prices can regain their balance this week after hitting the skids since September 15, when the Dow Jones Industrial Average came within striking distance of its record high of 3,978.

"The strength of the rally was an illusion, and there is now risk on the downside," says Robin Griffiths, technical analyst at James Capel Strategy in New York.

What if the Fed opts to hold off on the cycle's rate increase, as a somewhat shaken consensus of economists foresees? Mr Solloway says equity investors will probably feel a mixture of relief and anxiety, with the latter dominating.

If there is no action, bonds are likely to tumble. Traders are already worried that the central bank has fallen behind the inflationary curve.

Though stocks have not moved in step with the Treasury markets in recent weeks, a downturn in bond prices, and a concurrent increase in long-term returns, will tip the balance more in the favour of bond investments.

"We are now reaching a point where the increase in bond yields is having a negative effect on stocks," says Mr Solloway.

What if the Fed decides to act immediately, as predicted last week by Mr Wayne Angell, a former Fed governor who now serves as chief economist for Bear Stearns.

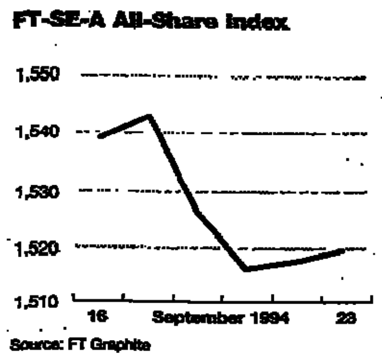
Mr Angell, known for its hawkish stance on moving aggressively against inflation, says there was a 60 per cent chance that his old colleagues will vote to lift short-term rates by 50 basis points.

When the Fed acted in a like manner in mid-August, stocks surged, as Wall Street put the best possible spin on an accompanying statement which said the rate increase should "be sufficient, at least for a time".

A month later, pundits will not be as generous in their interpretations.

LONDON — Terry Byland

Confidence in earnings less secure



Source: FT Graphite

This week will not be an easy one for fund managers. It brings the end of the year's third quarter with the three-month gain already whittled away to not much more than 100 points; and 100 points is no gain at all in a stock market which has suffered losses of 40 points-plus on more than one session in the past fortnight. Also hanging over all fund trustees' meetings will be awareness that the FT-SE 100 Index has to move quickly in the final quarter to meet many year-end forecasts.

Chartists see support around 2,960 to 2,970, with some moving the line to about 3,020. Such worries are tempered by the assurance from Derivative Securities, the futures market specialist, that "we now have an extremely oversold situation".

Deeper concerns over interest rates and the pace of economic recovery lie beneath these technical considerations. Interest rate anxiety will be tested early this week at the meeting of the US Federal Open Markets Committee, while the Bundesbank stands by to provide further drama on Thursday.

Interest rate worries are reflected in the role of bonds in undermining equities. European fund managers have been switching out of UK stocks and into British government bonds, even though the outlook for gilts remains questionable as long as further rises in base rates seem likely.

BZW points out that the gilt/equity yield ratio is at 2.3 times, underlining the cheapness of gilts; but Strauss Turnbull notes that this ratio is close to its 10-year average. Given that UK bonds hold the key to genuine recovery in equities, and that many analysts believe that impending over-supply of bonds is the problem, markets will watch Wednesday's auction of £2bn 10-year gilts with care.

If the interest rate side of the market argument is in doubt, the bull side – based on growth in company profits and dividends – has also become less secure. "Faith in strong earnings growth runs at least some risk of being misplaced," says BZW. And Kleinwort Benson Securities has become the first UK house to bite the bullet and describe the market's median estimate of earnings growth of around 14 per cent next year as "grossly overblown". Cutting its 1995 earnings forecasts from 10 to 8 per cent, it says some analysts are suffering from "money illusion" and need spectacles tinted a deep rosy pink.

This week can probably be set aside for window dressing ahead of the end of the quarter and worrying about the FOMC. But the response to statements from British Aerospace and Guinness, not to mention hints of downgradings of Hanson, suggests confidence in earnings growth has been shaken.

If both the interest and the earnings growth side of the UK market equation are under scrutiny, the year's final quarter could prove difficult.

International offerings

Richter Gedeon response bodes well for Budapest

Hungary last week kicked off what is set to be a busy fourth quarter in its equity offerings with the privatisation of 33.4 per cent of Richter Gedeon, the country's biggest pharmaceuticals manufacturer and one of its largest exporters.

The sale, which is being combined with a capital increase, will net the company $52.4m. It is expected to be one of this year's biggest privatisations. Investment banks in Budapest said the strong foreign interest in the offering underlined western investors' confidence in Hungary, despite the victory of the Hungarian Socialist Party, the former communists, in May's general elections.

The international offering, to be followed by a domestic public offer of a further 3.5 per cent of the company next week, involved the sale of 4.41m ordinary shares priced at $12.30. Schroder, the UK merchant bank which joint lead-managed the private placement with Creditanstalt Securities, Budapest, said it had placed around 75 per cent with UK institutions. Shares changed hands at $13.25–$13.75 on Friday, the first day of trading, the bank said.

The successful offering is good news for the Budapest Stock Exchange, on which Richter Gedeon plans to become listed in the coming weeks. The company, which made a gross profit of more than Ft2bn on turnover of Ft11.2bn ($114m) in the first half of 1994, is also seeking listings in Vienna and on the developing markets sector of Seaq.

Local brokers hope Richter Gedeon, which is set to become the BSE's largest stock by market capitalisation, will inject more liquidity into the market. Liquidity remains a problem for the exchange although it is improving.

The BSE which also trades government bonds and other securities, averaged 286 deals a day in the first eight months, well up on last year's daily average of 94. Boosted by several new offerings earlier this year, shares accounted for 29 per cent of total turnover by the end of August, up from 10 per cent last year.

Exchange officials hope the new issues and those planned for the autumn will help double the BSE's market capitalisation to around $2.2bn from $1.1bn at the start of the year.

Few companies have announced public offerings or capital increases but local analysts say several are under preparation.

Janos Bartha, head of CS First Boston's local operation, says that he expects a number of private Hungarian companies to come to the market in the next six months.

However, state companies undergoing privatisation are still expected to provide the majority of new offerings. Until now, trade sales have generally been Hungary's preferred privatisation method.

Nevertheless, Mr Bartha says there are also state companies which have restructured enough and which do not necessarily need strategic partners which are likely to privatise via flotation.

Much will depend on the new government's privatisation policy which is presently under discussion. The government has promised it will speed up privatisation and its privatisation agencies say one way of doing this could be more equity offerings.

In the meantime, the government is moving ahead with privatisation of the state gas and electricity monopolies, on which it is being advised respectively by Rothschild and Schroder.

In the first phase, AV Rt, the privatisation body, is planning to hold tenders for minority stakes in the five regional household gas distribution companies this autumn. MVM, the electricity company, would follow next year.

Virginia Marsh

OTHER MARKETS

INTEREST RATES

The outlook for higher interest rates in the US and Germany will dominate activity this week. James Capel reckons that the strength of the real economy data over the last month points to a rise in rates at Tuesday's US Federal Open Market Committee and it reiterates, ahead of Thursday's Bundesbank meeting, that the underlying strength of German M3 over recent months has indicated an inflationary risk from 1996 "and we therefore still think German rates have bottomed".

Kleinwort Benson rates the chances of a US rates rise after the FOMC as very high and it expects the strength of the economy will force the Fed to raise rates to 5¾ per cent by the end of this year, and 6½ per cent by the middle of 1995.

UBS, however, is sceptical about the need for a rise in US rates, saying that the markets are exaggerating the extent of the US inflation threat, not least because the tightening of policy seen so far this year has already put in place influences that will limit the cyclical rise in prices in 1995.

It also expects the Bundesbank to leave official rates unchanged, saying that policy is on hold until after the Federal election. Thereafter, further disinflation may yet facilitate one final round of monetary easing.

AMSTERDAM

The stock exchange will shrug off nearly 400 years of tradition when it opens for business on Friday with a Fl 8m ($4.3m) computerised equity trading system designed to increase Amsterdam's share of the market in Dutch stocks, *writes Martin Brice*.

Currently, between 40 and 60 per cent of trades in Dutch stocks are made in London.

Central to the development of the new system is a decision to change the role of Amsterdam's time-honoured system of jobbers or *hoekmen*. In future, they will concentrate on retail trades, and new electronic screens will handle wholesale dealing.

PARIS

With last week's austerity budget providing no surprises for the market, attention has switched back to the corporate reporting season, *writes John Pitt*. Alcatel Alsthom, due to release interim figures on Wednesday, has seen its share price lose ground steadily this month. From around FFr600 at the start of September the shares were trading by the close of trade on Friday at FFr554, a fall of 7.6 per cent. Most of the selling has come from international investors, while the telecommunications company has also been dogged by allegations of corruption made in certain elements of the French media.

HELSINKI

Although the market is bracing itself for the imminent onset of the corporate eight-month reporting season, investors are becoming increasingly cautious ahead of Finland's October 16 referendum on European Union membership. Support for membership has fallen over Brussels' reluctance to accept the farming support package.

However, Helsinki remains the best performing stock market in Europe this year with the Hex index up 17.8 per cent. In dollar terms, the FT-A Finland index has risen by 40.54 per cent this year compared with a 0.18 per cent fall in the FT-A Europe index.

Helsinki retains its supporters, including Peter Lawrence at Kleinwort Benson, who believes that the previous all-time high for the Hex of 2,009.5 is now within reach after five long years.

He says that international factors over the next few months could have a negative impact on Finland, but thinks that the prudent 1995 budget and stronger currency should limit the need to raise interest rates in line with Sweden, for example.

"Our belief in the shorter term is supported by the inflow of funds into domestic trusts, as well as evidence that foreigners are strong net buyers of the market," Mr Lawrence says.

TOKYO

The Nikkei index is likely to continue to fluctuate around the 20,000 level in the week ahead, *writes Emiko Terazono*.

However, trading volume is expected to rise sharply as a last-minute rush to realise profits on holdings boosts cross trading, or the selling and buying back of stocks, ahead of the September book closing. The volume of cross trades on the Tokyo, Osaka, and Nagoya stock exchanges during the April-September period is expected to total around 7.5bn shares, the highest since 1991, with about 80 to 90 per cent of the trading during the latter half of last week being attributed to cross trading.

HONG KONG

Investors will be keeping a wary eye on tomorrow's FOMC meeting, while Japan could also be an influence, with a possible sell-down of Asian equities accompanying its half-year end, *writes Louise Lucas*. Domestically, property stocks will be in the spotlight as the developers announce their final results, wrapping up the current reporting season. There is also likely to be a spate of switching among Hang Seng index constituent stocks as investors welcome newcomers, announced on Friday, to replace the five Jardine stocks that are delisting.

Compiled by Michael Morgan

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 23 / Sch) [illegible]

BELGIUM/LUXEMBOURG (Sep 23 / Frs.) [illegible]

DENMARK (Sep 23 / Kr) [illegible]

FINLAND (Sep 23 / Mks) [illegible]

FRANCE (Sep 23 / Frs.) [illegible]

GERMANY (Sep 23 / Dm.) [illegible]

ITALY (Sep 23 / Lire) [illegible]

NETHERLANDS (Sep 23 / Fls.) [illegible]

NORWAY (Sep 23 / Kroner) [illegible]

SPAIN (Sep 23 / Pts.) [illegible]

SWEDEN (Sep 23 / Kronor) [illegible]

SWITZERLAND (Sep 23 / Frs.) [illegible]

PACIFIC

JAPAN (Sep 22 / Yen) [illegible]

HONG KONG (Sep 23 / H.K.$) [illegible]

MALAYSIA (Sep 23 / MYR) [illegible]

SINGAPORE (Sep 23 / S$) [illegible]

AUSTRALIA (Sep 23 / Aust$) [illegible]

NORTH AMERICA

CANADA

TORONTO (Sep 23 / Can $) 4 pm close [illegible]

MONTREAL (Sep 23 / Can $) 4 pm close [illegible]

AFRICA

SOUTH AFRICA (Sep 23 / Rand) [illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, September 22, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	16.5m	391	+3	Kobe Steel	4.2m	333	+6
NKK Corp	9.4m	289	+4	Sagami Railway	3.5m	491	-1
Sumitomo Mtl Ind	8.0m	346	+3	Toshiba	3.2m	751	-4
Kawasaki Steel	7.7m	438		Sumitomo Mtl Mng	3.1m	955	+10
Gen Sekiyu	4.7m	1,290	+30	Oki Electric	2.7m	780	-8

INDICES

	Sep 23	Sep 22	Sep 21	1994 High		1994 Low	
Argentina							
General (29/12/77)	20586.18	20800.95	20855.72	25470.40	16/2	17759.90	20/4
Australia							
All Ordinaries(1/1/80)	2027.7	2028.2	2026.6	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1085.2	1081.2	1076.4	1136.10	3/2	904.80	5/5
Austria							
Credit Aktien(30/12/84)	402.52	399.54	399.61	480.66	2/2	389.97	22/6
Traded Index(2/1/91)	1089.03	1077.30	1077.99	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1397.62	1396.80	1397.47	1642.66	6/2	1383.96	13/7
Brazil							
Bovespa (29/12/83)	54532.0	53952.0	53059.0	58118.00	13/9	3800.80	3/1
Canada							
Metals Mnrls♦(1975)	4172.70	4136.99	4153.55	4250.59	19/9	3289.66	20/4
Composite♦ (1975)	4367.50	4362.70	4358.62	4609.80	23/3	3959.90	24/6
Portfolio§§ (4/1/83)	2081.12	2081.51	2071.57	2182.68	1/2	1986.49	28/6
Chile							
IPGA Gen (31/12/80)	4949.7	4945.5	4944.9	4949.70	23/9	3801.20	4/4
Denmark							
CopenhagenSE(3/1/83)	351.18	351.75	352.01	415.79	2/2	351.18	23/9
Finland							
HEX General(28/12/90)	1864.1	1842.6	1882.0	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1291.75	1278.47	1280.23	1588.20	2/2	1269.38	4/7
CAC 40(31/12/87)	1927.35	1899.37	1897.18	2355.93	2/2	1868.18	4/7
Germany							
FAZ Aktien(31/12/58)	790.32	786.75	785.18	869.27	16/5	767.91	27/6
Commerzbank(1/12/53)	2247.3	2238.3	2230.9	2468.50	2/5	2148.30	27/6
DAX (30/12/87)‡	2089.12	2073.03	2079.50	2271.11	16/5	1988.82	20/6
Greece							
Athens SE(31/12/80)	852.58	854.89	852.29	1194.86	18/1	886.87	25/5
Hong Kong							
Hang Seng(31/7/64)	9632.47	9668.14	(c)	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	4496.53	4451.78	4507.11	4628.57	12/9	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	512.57	513.16	517.08	612.88	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1855.57	1888.50	1865.14	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	668.19	671.13	678.34	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1083.0	1087.0	1099.0	1318.00	10/5	944.08	10/1
Japan							
Nikkei 225 (16/5/49)	(c)	19833.67	19885.38	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	(c)	289.85	289.84	311.71	13/6	268.22	4/1
Topix (4/1/68)	(c)	1584.22	1585.96	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	(c)	2248.46	2248.84	2642.85	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1170.32	1179.88	1191.14	1314.46	5/1	928.38	4/4
Mexico							
IPC (Nov 1978)	(c)	2828.51	2794.83	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	429.4	428.8	428.9	454.90	31/1	406.30	21/6
CBS All Shr (End 83)	289.7	289.1	289.4	294.80	31/1	267.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2080.53	2086.43	2074.83	2439.64	3/2	1946.81	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1045.54	1050.51	1057.92	1211.10	28/2	980.81	21/6
Philippines							
Manila Comp (2/1/85)	2958.38	2934.38	2920.46	3308.37	4/1	2587.33	9/3
Portugal							
BTA (1977)	2897.0	2901.3	2929.8	3228.80	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	571.79	565.83	565.04	641.81	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2468.0♆	2455.0	2471.0	2534.00	7/9	1749.00	14/2
JSE Indl. (28/9/78)	6357.0♆	6342.0	6368.0	6787.00	15/6	5448.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	1029.56	1034.01	(c)	1034.01	22/9	855.37	2/4
Spain							
Madrid SE (30/12/85)	296.82	294.46	294.79	388.31	31/1	281.43	6/7
Sweden							
AffarsvarldsGen (1/2/37)	1428.3	1416.3	1420.2	1603.98	31/1	1334.79	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1232.01	1230.19	1224.73	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	928.74	927.38	923.78	1083.29	31/1	888.16	13/7
Taiwan							
WeightedPr.(30/6/66)**	6930.28	6889.86	6888.44	7048.24	17/8	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1506.06	1531.43	1531.98	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	25770.03	25171.87	24342.51	28883.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	630.4*	626.8	630.4	644.00	2/9	581.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1343.73	1334.32	1340.34	1540.18	31/1	1303.49	21/6
Euro Top-100 (26/6/90)	1183.56	1175.55	1178.04	1311.01	2/2	1143.06	21/6
JCapelDrgns (31/12/88)	(c)	338.29	341.79	395.19	5/1	280.28	21/3
Barings Emerg.(7/1/92)	190.51	189.99	189.66	190.78	19/9	141.65	21/4

** Sat Sep 17: Taiwan Weighted Price 7048.24; Korea Comp Ex 1023.61. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - at 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Sep 23 - 2097.33 +24.62

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Sep	1914.0	1938.0	+27.0	1941.0	1909.0	34,883	30,651
Oct	1923.0	1947.0	+27.0	1948.0	1919.0	5,859	10,160
Dec	1941.5	1965.5	+27.0	1967.0	1941.5	2,672	19,061

Open interest figures for previous day.

US INDICES

Dow Jones	Sep 23	Sep 22	Sep 21	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3831.75	3837.13	3851.60	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.22	97.29	97.24	105.81 (21/1)	96.43 (13/9)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1499.41	1508.54	1500.58	1862.29 (2/2)	1499.41 (23/9)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	176.90	176.97	176.84	227.65 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3872.46 (3882.55) Low 3806.51 (3818.29) (Theoretical♣)
Day's High 3850.92 (3865.05) Low 3820.31 (3833.09) (Actual♣)

Standard and Poors	Sep 23	Sep 22	Sep 21	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	459.68	461.27	461.46	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♆	543.07	546.01	546.28	560.83 (15/9)	510.05 (21/4)	560.83 (15/9/94)	3.62 (21/6/32)
Financial	44.01	44.24	43.92	48.94 (14/9)	41.39 (4/4)	48.40 (29/9/93)	8.64 (1/10/74)
NYSE Comp.	253.81	254.52	254.71	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	455.23	454.91	454.77	487.89 (2/2)	422.87 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	757.46	760.44	760.71	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 16	Sep 9	Sep 2	Year ago
Dow Jones Ind. Div. Yield	2.69	2.71	2.63	2.82
	Sep 21	Sep 14	Sep 7	Year ago
S & P Ind. Div. yield	2.41	2.37	2.37	2.51
S & P Ind. P/E ratio	20.64	20.91	20.96	27.52

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	462.60	461.95	-0.80	464.20	460.50	67,960	204,183
Mar	466.70	465.15	-0.80	467.20	463.80	146	6,393
Jun	469.30	468.65	-0.85	470.20	467.70	20	2,040

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Ford Motor	5,885,000	28½	-½
Chrysler	5,384,500	43¾	-1⅛
Gen Motors	5,358,300	48⅝	-1⅝
Amer Barrick	5,040,800	26¾	+⅛
Telefonos	4,730,700	65¼	+1¼
Micron	4,311,800	38½	-⅞
Dig Equip	4,225,700	25	-2¾
Blockbuster	3,016,200	26⅝	+⅝
Compaq	2,712,900	34½	-⅜
Shaw Inds	2,650,000	14¼	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Sep 23	Sep 22	Sep 21
New York SE	297.580	302.862	351.838
Amex	19.854	14.139	17.574
NASDAQ	(u)	280.854	292.278
NYSE			
Issues Traded	2,880	2,863	2,877
Rises	883	1,007	631
Falls	1,257	1,155	1,559
Unchanged	730	701	687
New Highs	33	21	15
New Lows	154	119	162

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♆ Subject to official recalculation.

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AUTHORISED UNIT TRUSTS

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	Yield Gross	City-Line
Baillie Gifford & Co Ltd				
Int'l Expt Aug 31	770.5	787.0	0.95	40105
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071-214 1850 (general enquiries) 071-214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	35.30	37.40	3.4	44570
Income Plus	40.84	47.88	7.3	44571
CAF – Charity Money Management				
48 Pembury Rd, Tonbridge TN9 2JD 0732 770114				
Balanced Growth	72.12	74.07	4.18	47779
Income	56.30	57.33	6.66	47780
CIM Unit Trust Managers Ltd				
Co-op Bank Ethics Ex Sep 15	942.402	984.872	3.37	51984
Cent. Bd. of Fin. of Church of England‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Aug 31	685.90	692.90	4.38	40251
Fxd Int Sec Aug 31	148.55	148.86	8.74	40252
Deposit Fund: See Money Market Trust Funds.				
Charlguard UK Equity Fd/Fixed Int Fd				
10 Fenchurch St, London EC3M 3LB Freephone 0800 716853				
UK Equity Acc Aug 31	£10.06	10.17	3.30	–
UK Equity Inc Aug 31	£10.06	10.17	3.30	–
Fixed Int Acc Aug 31	£9.95	9.97	8.06	–
Fixed Int Inc Aug 31	£9.95	9.97	8.06	–
Charinco/Charishare‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	159.5	161.3	7.94	40254
Charinco Acc	1094	1106	7.84	40255
Charishare Inc	206.8	210.7	3.80	40256
Charishare Acc	284.5	290.0	3.88	40257
COIF-Charities Official Inv Fd‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Income Aug 31	673.95	681.44	4.43	40258
Accum Aug 31	[illegible]	[illegible]	–	[illegible]
Fixed Int Income Aug 3	120.75	121.01	9.59	[illegible]
Fixed Int Accum Aug 31	181.00	181.32	–	[illegible]
Deposit Account: see Money Market Trust Funds				
Charity Fixed Int Fd/Charity Equity Fd				
33 Gutter Lane EC2V 8AS 071-382 3908 (Gen Enquiries)				

INSURANCES

AEGON Life Assurance Co (UK) Ltd
AEGON Hse, Lanark Sq, London E14 9QS 071-538 8000

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 662000

Clerical Medical Investment Group

General Accident

Laurentian Life plc - Contd.

MGM Assurance - Contd.

Norwich Union Life Insurance Soc. - Contd.

Reliance Mutual

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Scottish Mutual Assurance plc - Contd.

Scottish Provident Group

Sun Life Unit Assurance Ltd

Century Life International Ltd - Contd.

DBS Financial Management Ltd

Lazard Fund Mngrs - Contd.

Dresdner Intl Management Services Ltd

Morgan Grenfell Fixed Income Funds Plc

John Govett (Channel Islands) Ltd (1000)F

OFFSHORE INSURANCES

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LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Sep 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1603	-0.0198	536 - 669	17.1876	17.1375	17.1659	0.3	17.1441	0.4	-	-	115.0
Belgium	(BFr)	50.1885	-0.0434	489 - 280	50.2350	50.0850	50.2035	-0.4	50.1485	0.3	49.8835	0.6	116.6
Denmark	(DKr)	9.5881	-0.0174	837 - 924	9.6015	9.5766	9.5828	-0.6	9.6122	-1.0	9.6548	-0.7	118.5
Finland	(FM)	7.7467	-0.005	381 - 553	7.7840	7.7340	-	-	-	-	-	-	85.5
France	(FFr)	8.3388	-0.0094	313 - 419	8.3426	8.3244	8.3362	0.1	8.3378	-0.1	8.2919	0.5	110.2
Germany	(DM)	2.4380	-0.0031	372 - 388	2.4435	2.4338	2.4371	0.6	2.4338	0.7	2.3969	1.6	126.9
Greece	(Dr)	378.585	+8.897	387 - 802	378.823	370.889	-	-	-	-	-	-	-
Ireland	(I£)	1.0118	-0.0001	111 - 124	1.1035	1.0088	1.0117	0.1	1.0129	-0.4	1.0175	-0.6	104.9
Italy	(L)	2461.27	-8.24	009 - 245	2472.91	2458.93	2466.87	-2.7	2479.12	-2.9	2533.42	-2.9	75.3
Luxembourg	(LFr)	50.1885	-0.0434	489 - 280	50.2350	50.0850	50.2035	-0.4	50.1485	0.3	49.8835	0.6	116.6
Netherlands	(Fl)	2.7322	-0.0044	310 - 334	2.7378	2.7284	2.7315	0.3	2.7281	0.6	2.6915	1.5	120.7
Norway	(NKr)	10.6918	-0.0061	885 - 950	10.7134	10.6734	10.6916	0.0	10.6938	-0.1	10.6962	0.0	85.6
Portugal	(Es)	249.080	+0.048	961 - 198	249.371	248.471	250.81	-8.3	253.99	-7.9	-	-	-
Spain	(Pta)	202.278	+0.034	206 - 349	202.536	201.695	202.683	-2.4	203.413	-2.2	206.248	-2.0	85.8
Sweden	(SKr)	11.7938	+0.037	860 - 016	11.8029	11.7248	11.8128	-1.9	11.8603	-2.3	12.0738	-2.4	75.2
Switzerland	(SFr)	2.0263	-0.0015	252 - 274	2.0295	2.0224	2.0237	1.5	2.018	1.6	1.9825	2.2	122.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.7
Ecu	-	1.2777	-0.0014	770 - 784	1.2798	1.2760	1.2781	-0.4	1.2782	-0.2	1.2734	0.3	-
SDR†	-	0.930777	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5784	+0.0029	780 - 787	1.5789	1.5732	-	-	-	-	-	-	-
Brazil	(R)	1.3506	+0.003	496 - 516	1.3517	1.3456	-	-	-	-	-	-	-
Canada	(C$)	2.1223	+0.0051	215 - 231	2.1227	2.1155	2.1216	0.3	2.1212	0.2	2.12	0.1	87.9
Mexico	(New Peso)	5.3638	+0.0041	590 - 686	5.3777	5.3586	-	-	-	-	-	-	-
USA	($)	1.5788	+0.0026	785 - 790	1.5790	1.5738	1.5784	0.3	1.5766	0.5	1.5611	1.1	61.9
Pacific/Middle East/Africa													
Australia	(A$)	2.1377	-0.0027	366 - 387	2.1391	2.1313	2.1376	0.0	2.139	-0.2	2.1572	-0.9	-
Hong Kong	(HK$)	12.2001	+0.0197	974 - 028	12.2035	12.1631	12.1962	0.4	12.1951	0.2	12.2021	0.0	-
India	(Rs)	49.5235	+0.0796	097 - 372	49.5420	49.3740	-	-	-	-	-	-	-
Japan	(Y)	154.252	-0.329	156 - 347	154.580	153.790	153.892	2.9	152.927	3.4	147.482	4.4	191.1
Malaysia	(M$)	4.0358	+0.0058	343 - 372	4.0384	4.0225	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6208	-0.0059	182 - 234	2.6255	2.6136	2.6247	-1.8	2.6325	-1.8	2.6547	-1.3	-
Philippines	(Peso)	40.3371	-1.1946	728 - 014	40.6520	40.1675	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9212	+0.0097	200 - 224	5.9235	5.9030	-	-	-	-	-	-	-
Singapore	(S$)	2.3374	+0.0101	362 - 385	2.3413	2.3249	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5829	+0.0124	808 - 849	5.5858	5.5501	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.8124	-0.17	876 - 371	6.9502	6.7875	-	-	-	-	-	-	-
South Korea	(Won)	1267.26	+3.81	690 - 762	1267.73	1263.08	-	-	-	-	-	-	-
Taiwan	(T$)	41.3357	+0.0603	283 - 430	41.3448	41.2013	-	-	-	-	-	-	-
Thailand	(Bt)	39.3583	+0.0491	362 - 803	39.3850	39.2550	-	-	-	-	-	-	-

†SDR rates for Sep 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.8695	-0.0305	670 - 720	10.9020	10.8660	10.8895	0.0	10.8899	0.0	10.7945	0.7	104.2
Belgium	(BFr)	31.7900	-0.08	700 - 100	31.8730	31.7700	31.7972	-0.3	31.81	-0.3	31.945	-0.5	105.8
Denmark	(DKr)	6.0732	-0.0211	714 - 750	6.0912	6.0714	6.0797	-1.3	6.0997	-1.7	6.1768	-1.7	104.8
Finland	(FM)	4.9069	-0.0112	022 - 115	4.9279	4.8999	4.9069	0.0	4.9139	-0.6	4.9619	-1.1	80.0
France	(FFr)	5.2805	-0.0147	780 - 830	5.2980	5.2780	5.2823	-0.4	5.2856	-0.4	5.2935	-0.2	106.4
Germany	(D)	1.5443	-0.0046	440 - 445	1.5494	1.5436	1.5441	0.2	1.5437	0.1	1.5368	0.5	106.7
Greece	(Dr)	239.800	+3.98	700 - 900	239.900	235.300	240.1	-1.5	240.725	-1.5	243.475	-1.5	69.0
Ireland	(I£)	1.5604	+0.0027	596 - 611	1.5619	1.5548	1.5598	0.5	1.5568	0.9	1.5384	1.4	-
Italy	(L)	1559.00	-7.8	850 - 950	1569.80	1557.94	1563.25	-3.3	1572	-3.3	1620.5	-3.9	75.4
Luxembourg	(LFr)	31.7900	-0.08	700 - 100	31.8730	31.7700	31.7972	-0.3	31.81	-0.3	31.945	-0.5	105.8
Netherlands	(Fl)	1.7306	-0.0057	301 - 311	1.7363	1.7301	1.7308	-0.2	1.7308	-0.1	1.7259	0.3	105.5
Norway	(NKr)	6.7723	-0.015	713 - 733	6.8000	6.7697	6.7773	-0.9	6.7973	-1.5	6.8698	-1.4	95.9
Portugal	(Es)	157.770	-0.23	720 - 820	158.200	157.720	158.52	-5.7	162.195	-11.2	166.77	-5.7	95.1
Spain	(Pta)	128.125	-0.19	100 - 150	128.350	128.100	128.44	-3.0	129.06	-2.9	132.005	-3.0	80.9
Sweden	(SKr)	7.4704	+0.0112	666 - 741	7.4896	7.4399	7.4869	-2.7	7.5254	-2.9	7.7179	-3.3	80.6
Switzerland	(SFr)	1.2835	-0.003	830 - 840	1.2881	1.2829	1.2824	1.0	1.2803	1.0	1.2685	1.2	108.3
UK	(£)	1.5788	+0.0026	785 - 790	1.5790	1.5738	1.5784	0.3	1.5766	0.5	1.5611	1.1	88.2
Ecu	-	1.2356	+0.0033	351 - 361	1.2361	1.2322	1.2347	0.9	1.2329	0.9	1.2065	2.4	-
SDR†	-	1.46830	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0002	997 - 998	0.9998	0.9995	-	-	-	-	-	-	-
Brazil	(R)	0.8556	+0.0006	550 - 560	0.8560	0.8545	-	-	-	-	-	-	-
Canada	(C$)	1.3443	+0.001	440 - 446	1.3454	1.3434	1.3448	-0.3	1.3456	-0.4	1.3538	-0.7	84.5
Mexico	(New Peso)	3.3975	-0.003	950 - 000	3.4060	3.3950	3.3985	-0.4	3.4003	-0.3	3.4077	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3540	-0.004	535 - 545	1.3578	1.3519	1.3542	-0.2	1.3549	-0.3	1.3623	-0.6	86.0
Hong Kong	(HK$)	7.7277	-0.0003	272 - 282	7.7282	7.7272	7.7275	0.0	7.7282	0.0	7.7432	-0.2	-
India	(Rs)	31.3688	-0.0012	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	97.7050	-0.37	600 - 500	98.1000	97.6600	97.495	2.8	96.995	2.9	94.47	3.3	151.0
Malaysia	(M$)	2.5563	-0.0006	558 - 568	2.5572	2.5550	2.5471	4.3	2.5358	3.2	2.6093	-2.1	-
New Zealand	(NZ$)	1.6600	-0.0065	586 - 614	1.6628	1.6598	1.6609	-0.7	1.6628	-0.7	1.6691	-0.5	-
Philippines	(Peso)	25.5500	-0.8	500 - 500	26.6500	25.4500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7504	3.7519	-0.4	3.756	-0.6	3.7746	-0.6	-
Singapore	(S$)	1.4805	+0.0039	800 - 810	1.4810	1.4765	1.4792	1.1	1.4773	0.9	1.4705	0.7	-
S Africa (Com.)	(R)	3.5363	+0.002	355 - 370	3.5436	3.5205	3.5518	-5.3	3.5801	-5.0	3.6568	-3.4	-
S Africa (Fin.)	(R)	4.3150	-0.115	000 - 300	4.4050	4.2900	4.3487	-9.4	4.4075	-8.6	-	-	-
South Korea	(Won)	802.700	+1.1	600 - 800	802.800	802.300	805.7	-4.5	809.2	-3.2	827.7	-3.1	-
Taiwan	(T$)	26.1825	-0.005	820 - 830	26.1860	26.1780	26.2025	-0.9	26.2425	-0.9	-	-	-
Thailand	(Bt)	24.9300	-0.01	200 - 400	24.9400	24.9200	25.0025	-3.5	25.13	-3.2	25.61	-2.7	-

†SDR rate for Sep 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 22. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.11	16.61	4.859	2.015	4904	5.444	21.30	496.2	402.9	23.50	4.037	1.993	4.229	3.147	307.3	2.545
Denmark	(DKr)	52.34	10	8.694	2.543	1.054	2567	2.849	11.15	259.7	210.9	12.30	2.113	1.043	2.213	1.647	160.8	1.332
France	(FFr)	60.20	11.50	10	2.925	1.213	2952	3.277	12.82	298.7	242.6	14.14	2.430	1.200	2.546	1.894	185.0	1.532
Germany	(DM)	20.58	3.933	3.419	1	0.415	1009	1.121	4.385	102.1	82.94	4.836	0.831	0.410	0.870	0.648	63.25	0.524
Ireland	(I£)	49.63	9.484	8.245	2.411	1	2434	2.702	10.57	246.3	200.0	11.66	2.004	0.989	2.099	1.562	152.5	1.263
Italy	(L)	2.039	0.390	0.339	0.099	0.041	100.	0.111	0.434	10.12	8.216	0.479	0.082	0.041	0.086	0.064	6.266	0.052
Netherlands	(Fl)	18.37	3.510	3.051	0.892	0.370	900.8	1	3.913	91.14	74.01	4.316	0.742	0.366	0.777	0.578	56.44	0.467
Norway	(NKr)	46.94	8.969	7.798	2.281	0.946	2302	2.556	10	232.9	189.1	11.03	1.895	0.935	1.985	1.477	144.2	1.195
Portugal	(Es)	20.15	3.851	3.348	0.979	0.406	988.4	1.097	4.293	100.	81.20	4.735	0.814	0.402	0.852	0.634	61.93	0.513
Spain	(Pta)	24.82	4.742	4.123	1.206	0.500	1217	1.361	5.287	123.1	100.	5.831	1.002	0.495	1.049	0.781	76.26	0.632
Sweden	(SKr)	42.56	8.132	7.070	2.068	0.858	2087	2.317	9.067	211.2	171.5	10	1.718	0.848	1.800	1.339	130.8	1.083
Switzerland	(SFr)	24.77	4.732	4.115	1.203	0.499	1215	1.348	5.276	122.9	99.80	5.819	1	0.494	1.047	0.779	76.11	0.630
UK	(£)	50.18	9.588	8.336	2.438	1.011	2461	2.732	10.69	249.0	202.2	11.79	2.026	1	2.122	1.579	154.2	1.277
Canada	(C$)	23.65	4.518	3.928	1.149	0.476	1160	1.287	5.038	117.3	95.29	5.556	0.955	0.471	1	0.744	72.67	0.602
US	($)	31.78	6.072	5.279	1.544	0.640	1559	1.730	6.770	157.7	128.1	7.467	1.283	0.633	1.344	1	97.66	0.809
Japan	(Y)	32.54	6.218	5.406	1.581	0.656	1596	1.772	6.933	161.5	131.1	7.646	1.314	0.649	1.376	1.024	100.	0.828
Ecu		39.30	7.506	6.528	1.909	0.792	1927	2.139	8.371	195.0	158.3	9.233	1.587	0.783	1.662	1.236	120.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6465	0.6465	-0.0001	0.6490	0.6458	16,694	70,783
Dec	-	0.6475	-	0.6492	0.6474	521	4,064
Mar	-	0.6485	+0.0002	-	-	1	476

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.7815	0.7802	-0.0011	0.7825	0.7788	12,721	35,294
Dec	0.7850	0.7830	-0.0009	0.7850	0.7819	23	829
Mar	-	0.7857	-0.0008	-	-	40	60

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.0272	1.0300	+0.0023	1.0310	1.0263	12,689	45,464
Dec	1.0366	1.0392	+0.0024	1.0398	1.0365	33	2,385
Mar	-	1.0481	+0.0025	1.0475	1.0475	4	450

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5760	1.5758	+0.0020	1.5818	1.5722	5,011	31,516
Dec	1.5730	1.5726	+0.0024	1.5780	1.5690	1	288
Mar	-	1.5670	+0.0026	1.5710	1.5630	1	8

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.500	7.54	7.52	7.62	-	0.06	0.34
1.525	5.11	5.29	5.62	0.03	0.30	0.76
1.550	2.69	3.34	3.85	0.30	0.84	1.48
1.575	1.24	1.87	2.48	1.09	1.80	2.52
1.600	0.37	0.91	1.47	2.67	3.27	3.93
1.625	0.05	0.38	0.81	4.84	5.20	5.74

Previous day's vol., Calls 5,745 Puts 3,384 . Prev. day's open int., Calls 476,078 Puts 345,865

UK INTEREST RATES

LONDON MONEY RATES

Sep 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 3½	4⅞ - 4½	5⅜ - 5¼	5⅞ - 5¾	6½ - 6⅜	7 7/16 - 7 5/16
Sterling CDs	-	-	5 9/32 - 5 7/32	5¾ - 5 11/16	6⅜ - 6¼	7⅜ - 7 3/16
Treasury Bills	-	-	5¼ - 5 3/16	5¾ - 5⅝	-	-
Bank Bills	-	-	5¼ - 5 3/16	5¾ - 5⅝	6¼ - 6⅛	-
Local authority deps.	4 15/16 - 4 13/16	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 15/16 - 5 13/16	6 9/16 - 6 7/16	7 3/16 - 7 7/16
Discount Market deps	4¾ - 3¼	5 - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3⅞	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¾pc.
Ave. tender rate of discount 5.5070pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Schemes II & III 6.62pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Schemes IV & V 5.578pc. Finance House Base Rate 5½pc from Sep 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Sep 23	Sep 16
Bills on offer	£500m	£500m
Total of applications	£1482m	£1600m
Total allocated	£500m	£500m
Min. accepted bid	£98.625	£98.625
Allotment at min. level	65%	31%

	Sep 23	Sep 16
Top accepted rate	5.5151%	5.5151%
Ave. rate of discount	5.5070%	5.4979%
Average yield	5.5837%	5.5743%
Offer at next tender	£500m	£500m
Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

■ Pound in New York

Sep 23	Close	Prev. close
£ spot	1.5765	1.5755
1 mth	1.5760	1.5751
3 mth	1.5744	1.5734
1 yr	1.5595	1.5581

FIXED INTEREST RATES

MONEY RATES

September 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5⅝	5⅞	6⅝	7.40	4.50	-
week ago	4⅞	5⅛	5 7/16	5¾	6½	7.40	4.50	-
France	5¼	5 7/16	5⅝	5⅞	6 7/16	5.00	-	6.75
week ago	5⅛	5 7/16	5⅝	5¾	6⅝	5.00	-	6.75
Germany	4.52	4.95	5.05	5.23	5.63	6.00	4.50	4.85
week ago	4.87	4.95	5.02	5.128	5.53	6.00	4.50	4.85
Ireland	4 7/16	5½	6⅛	6⅝	7¼	-	-	6.25
week ago	4 7/16	5½	6⅛	6⅝	7⅛	-	-	6.25
Italy	8 7/16	8¼	8⅝	9¼	10⅛	-	7.50	8.25
week ago	8 7/16	8¼	8⅝	9⅜	10⅛	-	7.50	8.45
Netherlands	4.84	5.02	5.12	5.35	5.74	-	5.25	-
week ago	5.01	5.02	5.07	5.24	5.63	-	5.25	-
Switzerland	3⅞	3⅞	4⅛	4⅜	4⅞	6.625	3.50	-
week ago	3¼	3⅞	4	4⅛	4⅝	6.625	3.50	-
US	4 11/16	5	5⅛	5⅝	6⅛	-	4.00	-
week ago	4¾	5	5	5⅝	5⅞	-	4.00	-
Japan	2⅛	2⅜	2¼	2⅛	2⅝	-	1.75	-
week ago	2⅛	2⅜	2⅜	2⅛	2 11/16	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅛	5¼	5 11/16	6⅛	-	-	-
week ago	-	5⅛	5⅛	5⅞	5 15/16	-	-	-
US Dollar CDs	-	4.79	5.02	5.33	5.91	-	-	-
week ago	-	4.79	4.82	5.12	5.68	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3¾	4	-	-	-
week ago	-	3⅝	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅝; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5 7/16 - 5 5/16	5 15/16 - 5 13/16	6⅝ - 6½
Danish Krone	5⅞ - 5⅜	5⅞ - 5½	6 1/16 - 5⅞	6¾ - 6½	7⅜ - 7⅛	7⅞ - 7⅝
D-Mark	4 15/16 - 4 9/16	4⅞ - 4¾	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5¼ - 5⅛	5 11/16 - 5 9/16
Dutch Guilder	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5⅜ - 5¼	5¾ - 5⅝
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5⅝ - 5½	5 13/16 - 5 11/16	6½ - 6⅜
Portuguese Esc.	12⅛ - 11⅞	9⅜ - 9	10 - 9⅜	10⅜ - 9¾	10 11/16 - 10	10⅞ - 10 7/16
Spanish Peseta	7½ - 7 7/16	7½ - 7⅜	7⅝ - 7½	8 - 7⅞	8½ - 8⅜	9 1/16 - 8 15/16
Sterling	5 - 4⅞	5 1/16 - 4 15/16	5⅜ - 5 5/16	5 13/16 - 5¾	6 7/16 - 6⅜	7⅜ - 7 5/16
Swiss Franc	3¾ - 3½	3 13/16 - 3 11/16	3 15/16 - 3 13/16	4 1/16 - 3 15/16	4⅜ - 4¼	4 13/16 - 4 11/16
Can. Dollar	4¼ - 4 3/16	4 13/16 - 4⅝	5 - 4⅞	5 9/16 - 5 7/16	5⅞ - 5¾	6¾ - 6⅝
US Dollar	4¾ - 4⅝	4⅞ - 4¾	5 1/16 - 4 15/16	5¼ - 5⅛	5 11/16 - 5 9/16	6⅛ - 6
Italian Lira	9 - 7½	8⅛ - 7⅞	8¼ - 8⅛	8 9/16 - 8 7/16	9¼ - 9⅛	10 5/16 - 10 3/16
Yen	2¼ - 2 3/16	2¾ - 2⅝	2⅜ - 2¼	2⅜ - 2¼	2 7/16 - 2 5/16	2⅝ - 2½
Asian $Sing	15/16 - 13/16	1⅝ - 1¼	2¾ - 2⅝	3¾ - 3¼	4 - 3½	4¾ - 4¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.11	94.10	-	94.14	94.07	201,990	538,836
Mar	93.74	93.73	-	93.77	93.71	157,324	405,355
Jun	93.41	93.37	-	93.41	93.34	77,889	286,309

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.66	94.64	-0.01	94.67	94.65	2,732	15,978
Mar	94.27	94.25	-	94.28	94.25	603	7,400
Jun	-	93.92	+0.02	93.92	93.92	3	2,330

All Open interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday September 21, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,082,675,662	+26,879,222
Bankers deposits	1,662,500,120	+148,050,832
Reserve and other accounts	3,205,461,616	-91,764,881
	5,965,190,398	+82,965,173
Assets		
Government securities	1,287,713,917	+82,530,000
Advance and other accounts	3,351,946,478	-57,080,712
Premise, equipment and other secs	1,320,423,520	+87,823,417
Notes	4,948,224	-280,256
Coin	158,259	-27,276
	5,965,190,398	+82,965,173
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,155,051,776	-29,719,744
Notes in Banking Department	4,948,224	-280,256
	18,160,000,000	-30,000,000
Assets		
Other Government securities	15,095,074,160	-645,453,994
Other Securities	3,064,925,840	+615,453,994
	18,160,000,000	-30,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	18.1	102	95	Beacon Inv Tst	95		-	-	-	-
-	F.P.	1.52	48	39	Do. Warrants	40		-	-	-	-
§125	F.P.	18.8	130	123	Compel	123	-1	WN4.0	2.1	4.1	11.9
-	F.P.	1.30	1½	1	Cont'l Foods Wrts	1¼		-	-	-	-
-	F.P.	24.4	62	61	Emerging Mkts C	61		-	-	-	-
120	F.P.	21.2	120	118	Independent Parts	119	+1	LN4.0	2.1	4.2	14.4
80	F.P.	24.1	85	78	Ryland	85		LN3.5	1.7	5.1	14.0
-	F.P.	3.39	44	27	Suter Wrts 99/04	29	+1	-	-	-	-
-	F.P.	116.0	379	374	Templeton E New	375	+1	-	-	-	-
-	F.P.	12.8	212	192	Do. Wrts. 2004	204		-	-	-	-

UK GILTS PRICES

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	3028.2	3021.2	3014.8	3037.3	3079.1	3520.3	2876.6	3520.3	986.9
FT-SE Mid 250	3580.9	3562.1	3570.1	3584.5	3608.0	4152.8	3363.4	4152.8	1379.4
FT-SE Mid 250 ex ITs	3561.0	3584.0	3572.8	3586.4	3606.5	4160.7	3362.4	4160.7	1378.3
FT-SE-A 350	1528.7	1526.1	1524.4	1534.6	1553.1	1778.3	1451.3	1778.3	664.5
FT-SE SmallCap	1844.06	1846.45	1855.13	1863.97	1870.23	2094.98	1777.31	2094.98	1363.79
FT-SE SmallCap ex ITs	1815.63	1818.65	1828.31	1836.42	1839.91	2060.72	1752.58	2060.72	1363.79
FT-SE-A All-Share	1519.58	1517.35	1516.33	1528.22	1543.64	1764.11	1445.65	1764.11	61.92

	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE Eurotrack 100	1343.73	1334.32	1340.34	1342.33	1356.56	1540.19	1303.48	1540.19	900.45
FT-SE Eurotrack 200	1386.86	1377.84	1383.92	1386.74	1404.55	1607.10	1342.95	1607.10	938.82
FT Ordinary	2347.2	2340.2	2337.6	2358.3	2389.5	2713.6	2255.5	2713.6	49.4
FT Govt Securities	90.23	90.08	89.71	89.54	90.22	107.04	89.54	127.40	49.18
FT Fixed Interest	107.09	106.87	106.50	106.73	105.85	133.87	105.50	133.87	50.53
FT Gold Mines	2331.42	2276.03	2260.51	2247.58	2204.06	2367.4	1762.02	2367.40	922.16
Predecessor Gold Mines	284.9	278.5	274.8	272.5	270.6	284.9	195.0	734.7	43.5

BASE LENDING RATES

	%
Adam & Company	5.75
Allied Trust Bank	5.25
AIB Bank	5.75
●Henry Ansbacher	5.75
Bank of Baroda	5.75
Banco Bilbao Vizcaya	5.75
Bank of Cyprus	5.75
Bank of Ireland	5.75
Bank of India	5.75
Bank of Scotland	5.75
Barclays Bank	5.75
Brit Bk of Mid East	5.25
●Brown Shipley & Co Ltd	5.75
CL Bank Nederland	5.75
Citibank NA	5.75
Clydesdale Bank	5.75
The Co-operative Bank	5.75
Coutts & Co	5.75
Credit Lyonnais	5.75
Cyprus Popular Bank	5.75
Duncan Lawrie	5.75
Exeter Bank Limited	5.75
Financial & Gen Bank	6.5
●Robert Fleming & Co	5.75
Girobank	5.75
●Guinness Mahon	5.75
Habib Bank AG Zurich	5.75
●Hambros Bank	5.75
Heritable & Gen Inv Bk	5.75
●Hill Samuel	5.75
C. Hoare & Co	5.75
Hongkong & Shanghai	5.25
Julian Hodge Bank	5.75
●Leopold Joseph & Sons	5.75
Lloyds Bank	5.75
Meghraj Bank Ltd	5.75
Midland Bank	5.75
* Mount Banking	6
NatWestminster	5.75
●Rea Brothers	5.75
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Royal Bk of Scotland	5.75
●Smith & Williamson Secs	5.75
TSB	5.75
●United Bk of Kuwait	5.75
Unity Trust Bank Plc	5.75
Western Trust	5.75
Whiteaway Laidlaw	5.75
Yorkshire Bank	5.75

● Members of London Investment Banking Association
* In administration

FT GOLD MINES INDEX

	Sep 23	% chg since 31/12/93	Sep 22	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (35)	2331.42	+4.4	2276.03	55.84	100.00	1.98	2367.40	1673.83
■ Regional Indices								
Africa (15)	3543.16	+7.2	3437.38	18.22	32.75	3.90	3487.98	2209.16
Australasia (9)	2923.29	+8.6	2835.09	7.83	14.08	1.78	3013.89	1629.58
North America (11)	1887.76	+1.4	1853.21	29.58	53.17	0.70	2039.65	1459.45

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines index: Sep. 23: 284.9; week's change: +11.2 points; Year ago: 178.9.
Constituent change 21/9/94: Deletion: LAC Minerals (North America).
Supporting data for the FT Gold Mines Index is provided by Mining Journal Ltd.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
475	Nil	4/10	59pm	15pm	Commercial Union	24pm	+3
360	Nil	21/10	48pm	13pm	EMAP	13pm	-2
160	Nil	17/10	9pm	6pm	Jermyn Inv.	7pm	
252	Nil	11/11	34pm	12½pm	Weir	12½pm	-½

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

BANKS

(Notes)	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	£23¼	-1.9	Q81%	ф	Sep May	9'93	–
ANZ	185	-1.8	Q20c	0.7	Jan Jul	9.12	–
Abbey National	390xd	-1.1	15.5	2.1	May Oct	16.8	5471
Allied Irish	241xd	-1.6	Q60⅔%	2.7	Oct May	15.8	1264
Anglo Irish	97	-1.7	Q17.5%	1.7	Jan Jul	6.6	1386
Asahi Y	693¼	3.4	Q14%	ф	Jan Dec	12'92	3040
Banco Bil Viz Pta	£15½	0.3	Q27.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta	£28½	—	Q36%	2.0	MyAuOcJa	1.8	–
Bk Ireland	278	-.7	Q13.3%	3.2	Jul Dec	16.5	1380
Bank Scotland	205½	5.4	5.85	2.4	Dec Jul	16.5	1742
9¾pc Pf	111½	-2	9¾%	–	May Nov	25.4	1482
9¾pc Pf	110¼	—	9¾%	–	May Nov	25.4	1685
Barclays	558xd	-4.8	16.65	3.1	Oct May	15.8	1764
Dai Ichi Kan Y	£11⅞	1.7	Q18%	1.2	Jan Dec	27.9	–
Deutsche DM	£290¼	1.0	Q33%	–	May	5'93	–
Espirito Santo	29½	0.3	Q80c	5.2	Jan	6'93	5187
First Nat Fin	74	—	1.5	–	Mar Aug	18.7	2571
6.3pc Cv Pf	78	-1.3	6.3%	–	Jul Jan	6.6	2570
7pc Cv Pf	134	—	7.0	–	Jul Jan	6.6	1488
Fuji Bank Y	1372¼	3.3	Q17%	ф	Dec Jun	7'93	–
HSBC HK	723xd	-1.2	24.5	2.4	Nov Jun	5.9	2786
HSBC (75p Shs)	703xd	-1.2	24.5	2.4	Nov Jun	5.9	2776
Lloyds	540xd	-2.1	21.0	2.1	Oct May	8.8	3171
Mitsubishi Y	£15¾	1.2	Q17%	ф	Jun Dec	12'92	–
Mits Tst & Bk Y	967½	2.4	Q16%	12.4	Jun Dec	12'92	–
Mitsui Tst & Bk Y	682	1.8	Q17%	5.5	Jun Dec	12'92	–
Nat Aust A$	481	-2.6	Q58c	1.7	Jul Jan	21.6	–
NatWest	477xd	-1.3	19.4	2.4	Oct May	8.8	3483
Ottomane FFr	£21¼	1.2	Q125%	ф	May	25.5	–
Ryl Bk Scotland	413	1.2	12.8	1.9	Feb Jul	18.5	3874
Sakura Y	£9⅝	0.7	Q17%	3.0	Dec Jun	12'92	–
Sanwa Y	£12⅞	3.1	Q18%	2.0	Jun Dec	12'92	–
Standard Chartd	258xd	0.4	6.37	4.2	Jan Oct	22.8	4094
7 3/8pc Prf	83xd	0.6	7.37	–	Apr Oct	22.8	1719
Sumitomo Y	£12½	2.3	Q17%	8.7	Jun Dec	12'92	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'ge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£29¼	—	Q375c	1.9	Oct Apr	3'93	–
Barlow	Z	84½	-8.7	Q18c	–	Jul	20.6	–
Gold Flds Prop R		118xa	-.8	Q62c	♦	Feb Sep	31.1	–
NK Props	z	85	—	Q87.1c	♦	Feb Sep	19.10	–
SASOL	♥	486	0.4	Q78c	–	Oct	23.9	3919
SA Brews		£11⅞	-4.1	Q155c	2.2	Dec Jun	30.5	–
Tiger Oats	†	813	-1.9	Q85c	2.9	Jul Feb	6.6	–
Tongaat-Hulett	h	602	2.6	Q70.8c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on RMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Magnum Power (Electronic & Electrical Eq.) and BLP (Household Goods). Deletions: Pasminco (Extractive Inds.) and Richmond Oil & Gas (Oil Expln.).

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 23

1994 High	1994 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
37⅞	12½	AARC	0.48	3.7	21	321	13	12¾	12⅞	
36⅞	12⅝	A-L Labs A	0.18	1.2	35	84	15⅜	15¼	15⅜	+½
75¾	57⅞	AMP	1.68	2.2	27	7482	u77¼	73¾	77⅛	+3½
72¾	52	AMR			93	4404	55	53	53⅛	-1½
5	3⅜	ARX			12	214	3¾	3⅝	3¾	
56⅛	39⅝	ASA	2.00	3.8	34	1350	52⅞	51⅞	52¾	+⅝
31⅝	25¾	Abbott	0.76	2.5	18	7093	31⅜	30⅝	30⅝	-⅞
15¼	11⅜	Abitibi Pr	0.50	3.4	11	24	14¾	14½	14¾	+⅛
23⅝	17¾	ABM Ind	0.52	2.4		18	22	21¾	21¾	-¼
15¼	11⅛	Acpincntn			27	343	14⅞	14⅝	14¾	-⅛
31	22⅜	ACE Ltd	0.44	1.8	31	217	25	24⅞	24⅞	-⅛
12½	9⅝	ACM Gvt In	1.09	11.2		312	9¾	d9⅝	9¾	+⅛
10⅛	7⅛	ACM GvOpp	0.80	11.0		105	7¼	d7⅛	7¼	
10⅝	7½	ACM Gvt Sp	0.96	12.8		526	7¾	d7½	7½	
12	8⅜	ACM Gvt Se	1.09	12.9		517	8⅝	8½	8½	-⅛
11¾	8⅜	ACM Man	1.08	12.5		158	8⅝	8½	8⅝	
9¾	8	ACM Managd	0.72	8.9		58	8¼	8⅛	8⅛	
15½	8¾	AcmeClv	0.44	3.3	18	1095	13⅜	13⅜	13⅜	+⅜
9⅞	8½	Acme Elect			7	32	8¾	8½	8¾	
28¾	23	Acordia	0.60	2.2	13	64	27⅛	27	27	-⅛
13¾	5⅜	Actava	0.36	3.6	2	643	10½	10	10	-½
18⅛	11¼	Acuson			114	208	15⅛	14⅞	14⅞	-⅜
18⅞	16½	Adams Expr	0.48	2.8	0	88	17¼	17⅛	17⅛	
64	46½	Ad Micro	3.00	4.9		892	61⅜	60½	60¾	+⅝
31¾	16¾	AdvMic	3.00	10.0	13	5822	30⅜	29⅞	30	+⅛
6⅞	5	Advest Grp	0.16	3.0	8	140	5¼	5⅛	5¼	+⅛
20	15	Advo Inc	0.10	0.6	115	58	17½	17⅜	17⅜	-⅜

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close September 23

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close September 23

AMEX COMPOSITE PRICES

4 pm close September 23

FT GUIDE TO THE WEEK

26 MONDAY

Yeltsin addresses the UN

US president Bill Clinton and Russia's president Boris Yeltsin are both due to address the 49th session of the United Nations General Assembly in New York. Mr Yeltsin is expected to talk on nuclear arms reductions and the role of Russia in the world – especially its own part of the world, the former Soviet Union. He will then meet US business leaders before flying to Washington.

The European Parliament begins an all-week plenary session, its first since the Euro-elections in June. Attention will centre on internal reforms to make the Strasbourg assembly more efficient, now that it has enhanced powers under the Maastricht treaty.

The main debates will be on: multi-speed Europe; whether the Parliament should sit in Strasbourg, as France insists, or in Brussels alongside the Commission and Council of Ministers; and on the confirmation hearings Euro-MPs plan to hold in November for members of the new Commission, whose nominations they can veto.

UK-Russian trade: Russia's deputy prime minister for the economy, Alexander Shokhin, visits London for talks with the Russian-British Committee for Trade and Investment, of which he is co-chair with Michael Heseltine, the UK trade and industry secretary. Mr Shokhin will press for more access to the British market for Russian goods and for work to start on such projects as the Moscow telephone system, which was agreed with the UK two years ago.

UK telecoms: Energis, the UK's third long-distance telecommunications company, is launched. Energis, a subsidiary of the National Grid, has erected its network across the Grid's pylons. Its marketing pitch includes significant discounts on BT tariffs for long-distance calls.

Consumer congress: The International Organisation of Consumers Unions, representing consumers' groups from 72 countries, begins its 14th world congress in Montpellier, France (to Sep 30).

Saleroom: Sotheby's opens the art market season with two house sales. Today, the Corsini family of Florence starts to dispose of some 2,000 objects culled from the guest suites, library and store-rooms of its 18th century baroque palazzo, where the auction is being held. The family hopes to raise £1m ($1.58m) for restoration work.

On Wednesday, at Stokesay Court in rural Shropshire in the west of England, Victorian treasures which had been lost for more than 50 years come under the hammer in Sotheby's biggest house sale for a decade.

FT Survey: Using Computers in Business.

Holidays: Israel.

27 TUESDAY

US interest rates in focus

The US Federal Reserve's Open Markets Committee, its policy-making body, meets in Washington amid signs that demand is still growing steadily, despite five interest rate increases this year. Most economists expect the Fed will have to raise rates again before the year is out, although few believe it will do so at this meeting.

Boris Yeltsin, Russia's president, holds talks with US president Bill Clinton in Washington. Bosnia, nuclear arms reductions, trade and investment figure on the agenda, with the US pressing for speedier economic reforms.

Japan pitches for UN seat:

Foreign minister Yohei Kono, addressing the United Nations General Assembly in New York, is expected to make Japan's clearest bid yet for permanent membership of the security council. He will say Japan is willing to assume the duties of membership, but cannot take part in military operations involving force because of its pacifist constitution.

Aid initiative: Kenneth Clarke, the UK chancellor, will launch an initiative to help ease the debt burden of some of the poorest developing countries when he meets fellow Commonwealth finance ministers in Malta on the first day of their two-day annual conference.

The Bank of Italy's governing council holds it first monthly meeting after the summer recess with the issue pending of nominating a director-general to succeed Lamberto Dini, who became treasury minister in May. It has become a sensitive issue in relations between the central bank and the Berlusconi government, with the Bank of Italy seeking to preserve its autonomy over the appointment.

Romania's president, Ion Iliescu, on his first state visit to the US, holds talks with International Monetary Fund and World Bank officials in Washington. The visit, which includes a meeting with President Bill Clinton, is being seen as a sign of improved relations, strained by the Iliescu administration's handling of anti-government demonstrations in 1990 and 1991.

Cleanlier than thou: The Tidy Britain Group will spread anger and delight by publishing its first cleanliness ranking of British cities.

FT Surveys: Mauritius and Business Locations In Europe.

Holidays: Israel.

28 WEDNESDAY

IMF gives its world outlook

The International Monetary Fund will publish updated forecasts for the world economy ahead of next week's annual meetings of the IMF and World Bank in Madrid. Its latest World Economic Outlook will upgrade the near-term growth forecast for the Group of Seven leading industrial countries from the annual rate of 2.5 per cent predicted by the Fund in April.

OECD headship: Ambassadors of the 25 member countries of the Organisation for Economic Co-operation and Development meet in Paris with little hope of ending the impasse over who should be the next OECD secretary-general.

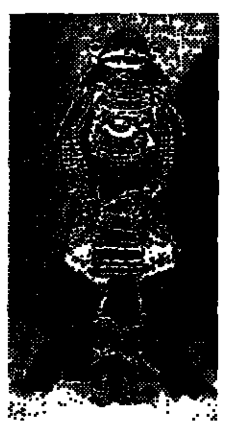
There is little sign that the OECD's decision-making council can achieve the consensus needed to choose either present incumbent Jean-Claude Paye or Canadian challenger Donald Johnston when it meets on Thursday. That would leave the OECD top job in limbo once Paye's contract expires on Friday.

European Union industry ministers convene in Brussels to discuss the European Commission's action plan to prepare for the new "information society" covering multi-media, telecoms liberalisation and electronic banking.

The German presidency will also consider latest progress in restructuring the European steel industry, amid clear evidence of an economic upturn.

Pensions ruling: The European Court of Justice will deliver its opinion in six separate cases which will determine how European employers equalise pension benefits for men and women. Pension benefits for part-timers and single-sex annuity rates are also key issues.

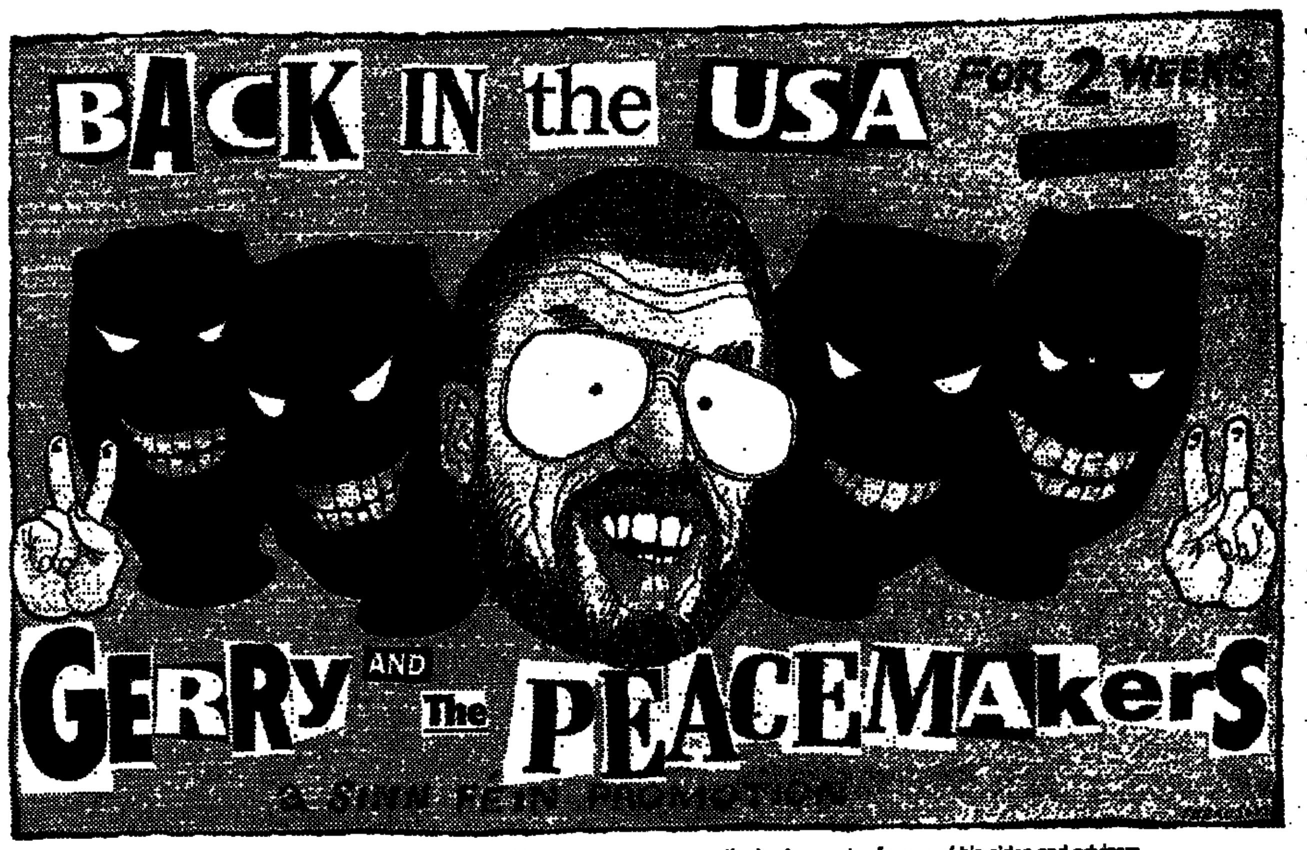
House sale at Stokesay Court:



Sotheby's four-day sale of antiques and treasures at Stokesay Court, near Ludlow, Shropshire, is expected to raise £2.5m ($3.95m) from 5,000 items. They were locked away for security in 1941 and are wonderfully preserved. The highlight is a Louis XIV boulle commode of 1710, estimate £100,000. Among the oddities are suits of 18th century Japanese armour (one illustrated above), and some Fortnum and Mason dried turtle – together with instructions for making turtle soup.

Showjumping: The Horse of the Year Show begins at Olympia, London (to Oct 2).

Holidays: Taiwan.



Sinn Féin leader Gerry Adams is touring the US for two weeks. There is controversy over the backgrounds of some of his aides and advisers

29 THURSDAY

Report due on Berlusconi

Three legal experts, appointed by Italian premier Silvio Berlusconi on taking office in May to examine if there is a conflict of interest between his roles of prime minister and owner of the Fininvest media empire, are due to present their proposals.

The unresolved issue remains a handicap for Mr Berlusconi and is becoming enmeshed in a controversy over recent appointments at the RAI, the state-run broadcasting organisation.

Nato defence ministers meet informally in Seville, against a background of mounting tension in Bosnia and transatlantic strains over military tactics in former Yugoslavia. France, a rare participant in high-level Nato discussions, will attend. Germany and the US have signalled they want to discuss admitting former communist states in central and eastern Europe.

US trade policy: The US International Trade Commission holds a hearing in Washington on a controversial report to assess the economic effects of US anti-dumping policies and countervailing duty orders.

Amsterdam's bourse closes at 10am GMT ahead of the introduction of a new trading system on Friday.

World Maritime Day, declared by the United Nations' International Maritime Organisation, is devoted to the training and standards of merchant navy crews.

30 FRIDAY

Slovakia holds election

Two days of voting start in Slovakia in the first general election since independence last year. The pro-reformers of the outgoing government of Jozef Moravčík are pitted against the strongly nationalist opposition, led by former prime minister Vladimír Mečiar.

US-Japanese trade: A 60-day consultation period expires. It was designed to settle disputes over cars and car parts, Japanese government procurement in medical and telecommunications equipment, flat glass and insurance. Washington has threatened sanctions failing agreement. At least a partial deal seems to be in the making, with partial sanctions likely for unresolved issues.

United Nations peace-keeping troops' mandate in former Yugoslavia expires, but is expected to be renewed for another six months.

UK nuclear power: Deadline for submissions to the government's review of the industry. The main issue is whether to build more nuclear power stations, and if so, whether construction can be financed by the private sector.

UK financial regulation: The last day for life insurers and financial advisers to apply to be regulated by the Personal Investment Authority, the new watchdog to protect private investors.

FT Survey: World Economy and Finance.

1-2 WEEKEND

IMF meetings in Madrid

Finance ministers and central bankers of the Group of Seven countries meet in Madrid on Saturday ahead of the annual meetings of the International Monetary Fund and World Bank to discuss strengthening world output, recent turbulence on financial markets, and how best to help Russia and Ukraine.

On Sunday, the IMF's policy-making Interim Committee tries to break the deadlock on issuing new special drawing rights or SDRs, the IMF's reserve asset, aided by joint proposals from the British and US treasuries.

Palau ends its status as the last United Nations trust territory in the Pacific on Saturday and becomes formally linked to the US.

Nelson Mandela, South African president, begins the first state visit by a South African leader to the US on Saturday (to Oct 6).

Milan's spring and summer ready-to-wear fashion shows start on Sunday (to Oct 6).

The Asian Games open on Sunday in Hiroshima, western Japan, bringing together more than 7,200 athletes from 42 countries (to Oct 16). The possible attendance of Taiwanese government officials is annoying China, which has spoken of boycotting the event.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Monday: UK chancellor Kenneth Clarke and Eddie George, Bank of England governor, hold their monthly monetary meeting. No action is expected after this month's base rate rise, but today's monthly monetary report from the Treasury will provide the background to the discussions.

Tuesday: The US Conference Board publishes its September consumer confidence index, with analysts on average expecting a slight rebound to 90, from 89 in August.

Wednesday: US durable goods orders for August are expected to rise if the volatile transport component recovers.

Thursday: Today's Bundesbank council meeting is expected to leave key German interest rates unchanged ahead of next week's IMF meetings in Madrid.

Friday: UK Chartered Institute of Purchasing & Supply publishes its purchasing managers' index. This, the first UK economic indicator for September, will be scrutinised for signs of a slowing economy after last week's CBI survey.

In the US, some analysts expect the Chicago purchasing managers' index for September to fall again after declining in each of the past four months.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Aug existing home sales	-	3.95m
Sept 26	Japan	Aug supermarket sales	-	2.8%
	Denmark	Aug wholesale price indx**	-	1.1%
Tue	US	Sep consumer confidence	90	89
Sept 27	US	Johnson Redbook, w/e Sept 24	-	3%
	Japan	Jul coincident indx	40%	50%
	Japan	Jul leading indx	60%	54.5%
Wed	US	Aug durable orders	3.5%	-4.3%
Sept 28	US	Aug durable shipments	-	-3%
	Japan	Aug retail sales	1.4%	1.2%
	Canada	Aug indust production P.I.*	-	1%
Thu	US	Gross dom'stic prod final, 2nd qtr	3.8%	3.8%
Sept 29	US	GDP deflator final, 2nd qtr	2.9%	2.9%
	US	After tax corp profit, 2nd qtr	7.4%	7.4%
	US	Initial claims, w/e Sept 24	325,000	320,000
	US	State benefits, w/e Sept 17	-	2.64m
	US	Aug new home sales	650,000	664,000
	US	Aug export price indx	-	0.3%
	US	Aug import price indx	-	1.1%
	US	M2, w/e Sept 19	$4.5bn	$1.2bn
	Japan	Aug industrial production†	1.6%	-1.7%
	Japan	Aug shipments	-	-1.2%
	Japan	Sep wh'sale price indx (2nd 10 days	-	0.1%
	Canada	Jul fix-weighted emp earnings**	2.2%	2.1%
	H Kong	Aug provisional trade balance	-	-$0.6bn
Fri	US	Aug personal income	0.4%	0.5%
Sept 30	US	Aug personal consumer expend	0.7%	0.2%
	US	Sep Chicago purch managers indx†	-	61.8%
	US	Sep Michigan sentiment, final	-	92.2
	US	Sep agricultural prices	-	1.5%
	Japan	Sep consumer prices indx (Tokyo)	0.0%	-0.2%
	Japan	Sept CPI, ex perishables	0.7%	0.7%
	Japan	Aug CPI (nation).	-0.1%	-0.2%
	Japan	Aug CPI, ex perishables	0.7%	0.8%
	Japan	Aug construction orders	-	17.8%
	France	Aug unemployment rate	12.5%	12.6%
	France	Aug job seekers	-	3.3m
	Canada	Jul real gross dom prod, fac cost*	0.4%	0.5%
During the week...				
	Germany	Sep prelim cost of living*	0.1%	0.1%
	Germany	Sep prelim cost of living**	3%	3%
	Germany	Aug import prices*	-0.1%	0.1%
	Germany	Aug import prices**	0.6%	0.0%
	Germany	Jul capital a/c	-	DM8.7bn
	Germany	Jul long term capital a/c	-	-DM11.1bn
	Germany	Aug Ifo business climate	-	100.1
	Italy	Aug balance of payments	L2Tr	L3.29Tr
	Denmark	Wholesale price index	-	1.1%

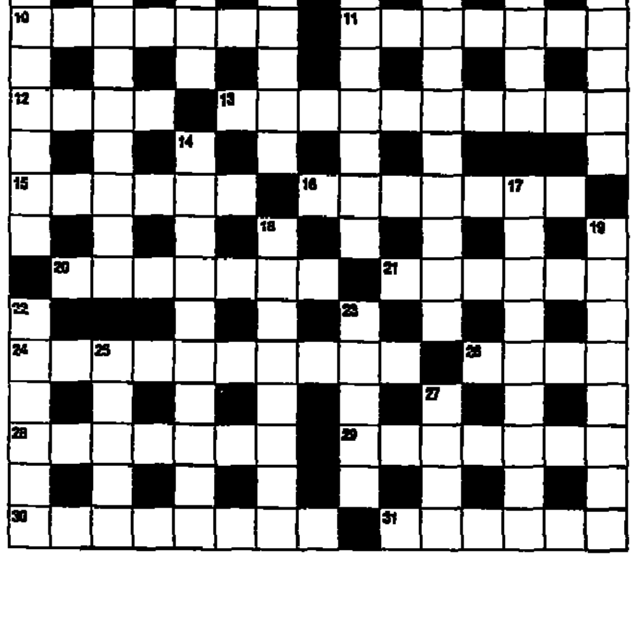
*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

ACROSS

1 Head back ahead of time to get some soup (6)
4 Fought and rushed round about wrecked car parking (8)
10 Upright, but not well-behaved (7)
11 All-round men – a bit unusual (7)
12 Some trite magazine article (4)
13 They provide simple remedies (10)
15 The pupil relaxed when let out (6)
16 The clue here is "A sportsman's dog" (7)
20 Tell soldiers to number (7)
21 Offer to be treated with a certain circumspection (6)
24 He's considered a gambling man (10)
26 Many end getting hurt (4)
28 Possibly ten will take a drink and wind up together (7)
29 Individual with a pragmatic attitude where a catalogue's concerned (7)
30 Team-leader coming down for instruction (8)
31 Book and gradually move in left and right (6)

DOWN

1 Parcel it out, though there's very little (8)
2 Restrained irritation over a note (9)
3 Leave a pound, but object (4)
5 Reading matter at one time available to males only? (8)
6 Cubs' meal – an awful mish-mash – transport provided for those who are sick (10)
7 Sue reporters (5)
8 Dislike of French examination (6)
9 To back up a woman, just to be different (5)
14 Grit, that's the answer! (10)
17 Winning over the listener in the finish (9)
18 Occupy oneself with reading German article about an egg distributor (6,2)
19 A pusher – or pro tem anyway (8)
22 The appearance of a page in school (6)
23 Get on to a governing body (5)
25 Out of picture mounts – additional supplies wanted (5)
27 Sound animal given no protection (4)



MONDAY PRIZE CROSSWORD
No.8,568 Set by VIXEN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday October 6, marked Monday Crossword 8,568 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday October 10.

Name..........

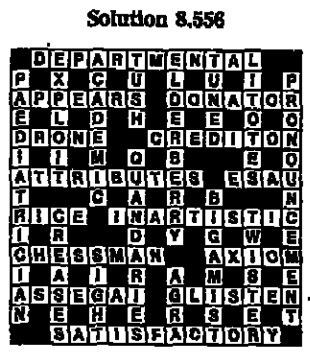
Address..........

....

Winners 8,556

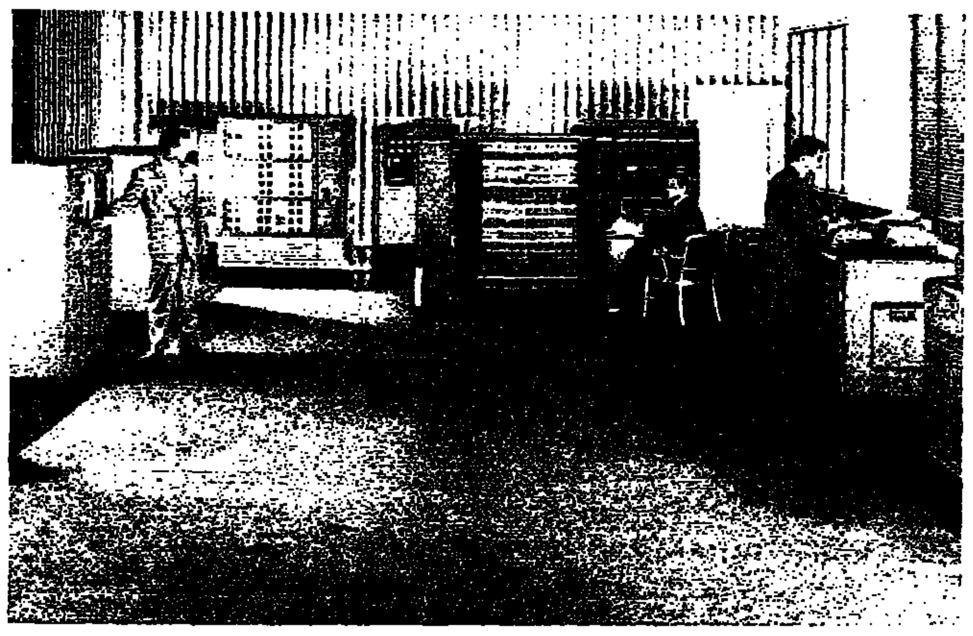
Chris Vye, Carshalton, Surrey
Mrs S.A. Bell, West Hallam, Derby
R.J. Bond, Shirley, Southampton
Z.I. Hosking, Bromham, Bedford
A. Russell, Comberton, Cambridgeshire
J. Styles, London SE6

Solution 8,556



USING COMPUTERS IN BUSINESS

Monday September 26 1994



Radical changes: (left) the IBM 701 mainframe, first introduced in 1952 and (right) a state-of-the-art power team – Computervision's CADDS 5 Rev 4.0 running on Hewlett-Packard's HP 9000 Series 700 workstation

IN THIS SURVEY

☐ **Editorial production:** Philip Sanders

A bewildering variety of options

Corporate data processing is going through some of the most radical changes since electronic computers were first used in business in the 1950s, writes **Alan Cane**

The confusion and uncertainty which has characterised the computer industry over the past five years is mirrored among its customers. There has never been a greater need for sound consultancy and advice as technological advances provide a bewildering variety of options for companies looking for greater economies and better information.

At the same time, a new and technologically-aware cadre of managers is beginning to make its presence felt in many companies.

According to the Price Waterhouse Information Technology Review, which monitors change in the data processing business: "The good news is that the days when IT directors joined the board for a title and little else may be gone. They are now in the inner sanctum of policy makers... It is the rumoured convergence of the IT director and the chief executive officer that is the really exciting idea".

Well, perhaps. The fact remains that corporate data processing is going through some of the most radical changes since electronic computers were first used in business in the 1950s.

To some extent this is the result of developments in computer technology which are making possible new ways of doing business. But it is also a consequence of a disaffection among customers with the high-handed attitude during the 1980s of computer manufacturers who attempted to dictate data processing strategies to their customers.

As a consequence, data processing was one of the first capital spending areas to be cut back when recession hit both in the US and Europe. International Data Corporation, the business consultancy says: "Both corporate results and market trends confirm that 1993 was the worst year in the history of information technology in Europe, with a growth of only 2 per cent following five consecutive years of decline."

It adds: "The information technology business is starting to bottom out from this negative cycle with signs that recovery is finally on its way." IDC estimates that growth across Europe is likely to be about 4 per cent this year.

What sort of data processing business is likely to emerge, however? The apparent recovery begs a number of important questions. First, are suppliers of data processing equipment truly listening to their customers' requirements or are they still intent merely on selling the latest technology, relevant or not?

The shift from mainframes to networks of personal computers and mid-range computers (client-server systems) is a case in point. The basic proposition is simple: because microprocessor-based, distributed systems cost less than central mainframes it makes economic sense to move from mainframes to client server networks.

A result has been a steady decline in mainframe revenues which has hurt all the large computer manufacturers while generating business for PC and workstation makers.

According to an Economist research report: "An extraordinary feature of the recession of the early 1990s has been the propensity for European customers to keep buying (personal) computers. There have been cut-backs, budget freezes and huge numbers of bankruptcies and redundancies yet the PC market has grown by 12.5 per cent in units terms in 1992 and by around 14 per cent in 1993. Projections for 1994 are that demand will continued to rise and that unit growth could increase by more than 20 per cent on 1993."

But purchase of machinery does not automatically translate into savings. An important point is that client-server computing is different in kind to traditional data processing. It seeks to spread computing power throughout the organisation, giving a broader range of personnel access to information and processing power.

One indication of this is the way the expression "executive information system" – a way of extracting and consolidating essential information from a company's database – has fallen into disuse. Today, the aim is to provide the appropriate information to people at all levels in a company.

There is a cost associated with all this. According to the Gartner Group, which assesses business data processing strategies, client server systems are expensive and labour consuming. For a hypothetical large organisation it estimated a total cost of ownership over five years at $241.8m of which less than 20 per cent was the cost of hardware.

An analysis published by International Business Machines, which has a vested interest in mainframe sales, suggests that the cost per user per year of a PC network is $6,445 while the comparable cost for a mainframe user is only $2,282. It goes on to suggest the average cost per transaction for a PC network is 43 cents but only three cents for a mainframe-based system.

What cannot yet be factored into the equation is the business benefits of either approach. In general, client-server computing would seem to offer greater flexibility and applicability than mainframe systems but it is still in an early state in its development. The pros and cons of moving to client-server computing need to be weighed carefully.

A second question concerns business process re-engineering (BPR), an essentially simple idea which has established itself quickly in the canon of management jargon. BPR involves changing the way a company carries out its business operations to make them more effective rather than automating what already exists. It is a little like redesigning an aircraft in flight. Great skill is required to prevent a crash before the process is complete.

Nevertheless, a majority of the world's largest companies claim to be re-engineering all or part of their business as they move from the large, centralised operations with hierarchical chains of command focused on products which were typical of the 1980s to dispersed partnerships conferring local autonomy on their managers with a sensitivity to consumer requirements. The Price Waterhouse review notes that there are now two distinct types of BPR. First, where a business process is transformed, but the business remains the same. It gives as an example a chemicals company which eliminated 42 kinds of invoice and its order office by switching to electronic data interchange.

Second, where the business itself is transformed with new objectives and a new organisational structure. A building society, for example, reconstituted its branches as customer service centres staffed by salespeople with automated cash machines for deposit and dispensing. The key is that technology is used to implement change rather than the other way about. Mr Thomas Davenport of Ernst & Young in his book *Process Innovation* makes the need for continuous development plain: "A company that does not institute continuous improvement after implementing process innovation is likely to revert to old ways of doing business".

A third question about the new data processing environment concerns outsourcing. Many large companies are beginning to treat data processing as if it were a commodity such as gas or electricity, contracting with a third party for its supply at an agreed service level for an agreed price.

The UK government's "market testing" programme for services including tax and vehicle registration has highlighted what is for many companies a controversial area. Outsourcing can be seen alternatively as giving away the company's crown jewels or giving up a non-core activity. The key is the quality of the deal.

Business Intelligence, a marketing consultancy, noted earlier this year that many companies have been tempted by substantial apparent cost savings into poorly thought out contracts that may cost them more than maintaining their data processing in-house.

This survey deals in depth with these and other issues vital to companies as they move into the new era of business data processing. The indications are that they must remain on their guard. Suppliers may pay lip service to customer power but may have little intention of letting them exercise it.

OUTSOURCING: ADVANTAGES

In the hands of the experts

Budgets are fixed in advance, and the supplier has to worry about any unforeseen expense, writes Michael Dempsey

The concept of outsourcing is not an invention of the computer age. Any company that hires external cleaners, or relies on a local caterer to supply board meetings with sandwiches is in the business of outsourcing.

The established practice of contracting out necessary services and the complex world of managing IT systems collided with a vengeance when companies began to evaluate computing costs. By the late 1980s it was all too evident that IT projects were prone to run over budget and suck in extra staff.

In the financial world some institutions found that a disturbing proportion of their workforce was employed in the IT function. This triggered political frictions and prompted a movement aimed at putting IT firmly back in its place, as a critical but subordinate function of the core business.

Here lies the real attraction of outsourcing. Pick a supplier and hand over the entire responsibility for running IT within an organisation. Budgets are fixed in advance, and the supplier has to worry about any unforeseen expense. Recruiting specialist staff is left to the outside contractor, who may take over the customer's own IT department.

The key to any outsourcing deal is the Service Level Contract (SLC). As long as the lawyers have done their job, the SLC should be watertight. A well-drafted SLC embraces the question of handing over the contract to another contractor or returning it to the customer.

Third Party Maintenance (TPM) can involve hiving off parts of the technology mandate to qualified contractors

In practice, the business of outsourcing cannot afford disgruntled users. Any leading outsourcer will co-operate in handing over business to a rival with a smile, however forced.

Some law firms have fastened on the world of outsourcing as a lucrative new field. Legal specialists in the outsourcing area are not common, but hiring a lawyer with the right experience is essential in order to get the most out of the contract.

The IT sector loves jargon, so a variety of terms have been adopted to describe aspects of outsourcing. Systems Integration is a project-based approach, aimed at getting one defined system up and running. Facilities Management is a common term to cover outsourced computer operations, while Third Party Maintenance (TPM) can involve hiving off parts of the technology mandate to qualified contractors.

Whatever the terminology, outsourcing is big business. When Computer Sciences Corporation clinched a comprehensive outsourcing deal with British Aerospace (BAe) last year, the contract was valued at £1bn over a 10-year period. CSC is taking 1,450 BAe employees under its corporate wing, and will develop and maintain critical computer resources right across BAe's civil and military business units. Computer maker Bull has won £35m worth of contracts since it set up Afhesa, a separate outsourcing division, in January.

All of these contracts allow the user to benefit from the supplier's accumulated experience. As the outsourcing supplier wins more business it acquires greater technical wisdom.

It should not concern the user that his outsourcing company also works for a commercial rival. The point is that the daunting but vital function of IT is in the hands of the experts. And the computer budget has been tamed at last.

CASE STUDY

Olivetti wins five-year £11m deal

Huw Medcraft is head of technical services at Maidenhead-based airline reservations giant Galileo. Galileo is a leading player in the highly competitive world of Computerised Reservations Systems (CRS), servicing UK travel agencies.

IT is at the heart of Galileo's operations. Including peripheral devices such as printers, Medcraft is responsible for 24,000 high-technology items attached to Galileo's UK network.

He has just assigned the role of keeping those machines up and running to a third party, Olivetti, in a five-year £11m deal.

Medcraft explains that his organisation already outsourced a number of services. But IT was different.

"Outsourcing only becomes a big issue when your own staff are performing the task that is going to be contracted out." With an annual IT spend in the region of £20m, the IT operation is certainly a significant item on Galileo's balance sheet. But it doesn't make sense to take care of every detail on an in-house basis.

"In an organisation of our size, it's not cost-effective to support all those workstations." Olivetti's outsourcing task is restricted to engineering support, including software maintenance.

Galileo has decided to retain control of the network that binds some 2,400 travel agents to Galileo.

If Medcraft is committed to the idea of outsourcing, why not go the whole way? "We have always seen the network as a source of competitive advantage. It is the ability to deliver airline tickets that is core to our business."

Medcraft: outsourcing contract should produce a saving of £2m

Specifically, Medcraft believes there is nothing to gain and everything to lose by outsourcing this function. "We wouldn't save money and we could lose control of the strategic elements of our business."

Galileo expects to make real savings on those aspects of its work that have been outsourced. Despite initial charges, such as the termination of property leases, Medcraft reckons the outsourcing contract will produce a saving of £2m over the five years.

The handover date was August 1 this year. But the 52 engineers were told that they were going to a new employer at the beginning of May. "We want to keep those skills on our side even though the people will be working for Olivetti. We provided a clear opportunity for the staff to talk the deal through with their new employer."

Medcraft believes that keeping staff happy is an integral part of successful outsourcing. And Galileo has kept its grip on its business objectives.

"Outsourcing has not allowed us to relieve ourselves of any obligations. We still deliver the same services, but now our managers can focus on improving the product for the end customer."

And the attraction of outsourcing is mutual. Galileo has just lost Graham Harrison, its commercial director, to outsourcing giant EDS. Harrison has been appointed managing director of the EDS financial services division.

OUTSOURCING: DISADVANTAGES

A clear exit route is vital

It is easy to view outsourcing as a panacea, the means to shrug off the tiresome responsibility of running an IT operation parallel to the core business. But hiving off a critical business function can have serious drawbacks, writes Michael Dempsey.

Data is an important asset and the value of this asset often depends on confidentiality. Virgin Airways discovered to its cost that a third party cannot always be trusted to play by the book. British Airways maintained Virgin's computer booking system and BA staff accessed the Virgin data to poach customers and analyse sensitive information on route profitability.

Then there is the risk of over-reliance. It is absolutely vital to ensure that any outsourcing or facilities management (FM) contract contains a clear exit route. This should be one that suits the customer, not the supplier. Lawyers practising in the area recommend regular review periods and caution against contracts that lock the customer in for five or 10 years.

Jane Rawlings is a solicitor specialising in computer law at City law firm Charles Russell. She wrote the FM contract that retail giant Next used to employ IBM. She is adamant that outsourcing contracts only make sense if the customer enters into the deal with his eyes open.

"You must set up exit plans; describe the responsibilities of the outsourcing provider."

Employees are a potential pitfall. If the IT operation is taken back in-house, the customer can wind up gaining staff it never wanted in the first place. "If you can't use them, then you've got to make them redundant, and that involves more costs."

Rawlings notes that some outsourcing companies insist on the transfer of software licences. Getting the legal licence to use commercial software reassigned when the outsourcing contract ends can be a nightmare. "You should be reluctant to assign software licences to a third party.

John Little: 'Suppliers are failing to deliver on the partnership'

"Most software licences prohibit sub-licencing."

PA Consulting has questioned a large number of businesses on their views about outsourcing. The companies responding to the IT Sourcing Survey, due to be published in October, represent £500m of outsourcing contracts. It emerges that worries about the impact on personnel who are transferred from the customer to the outsourcing client abound. Of the respondents, 43 per cent are very concerned about possible damage to staff morale. This dilemma has eclipsed the question of over-dependence on the supplier.

Maintaining the quality of the service came next, with 38 per cent of respondents citing this as a negative factor in the outsourcing equation. Then there is lack of flexibility.

John Little, an IT partner at PA who compiled the survey, notes that among the 25 per cent of companies who are determined to reject outsourcing and bring IT back in-house, one lesson was clear.

"The message coming out is that companies are willing to consider abandoning outsourcing because suppliers are failing to deliver on the partnership."

CASE STUDY

Pragmatic approach to defeat

Norwich Union is a financial services group that decided to move into private healthcare in 1990. Norwich Union Healthcare (NUH) started life with 25 staff and a business plan aimed at creating the third-largest private healthcare company in the UK.

With an urgent need to get relevant systems functioning, NUH decided to turn to an outside supplier. The existing Norwich Union organisation possessed formidable computing skills, but NUH wanted to buy in expertise in the specific area of private healthcare. It turned to Electronic Data Systems (EDS) to recruit key knowledge.

EDS is the US company that made its name in outsourcing before the term had been invented. Across the Atlantic, healthcare had been a staple of its business. NUH called in EDS to supply a bag of healthcare programs.

Mike North joined NUH as IT manager in April 1992. His immediate task was to oversee the transfer of the IT function back to the organisation, while the FM provider relinquished responsibility.

Why did the contract enjoy such a brief life? "We employed EDS to get the business off the ground," says North. "But we always said we'd renew the contract each year."

This rigorous scrutiny may have made life insecure for the external supplier, but it allowed the company's own IT experts to sell their skills. "EDS had to compete against the in-house resources. The internal competition proved cheaper."

EDS had given NUH a vital kick-start. It had provided the security and knowledge to get the business working, according to North. But NUH was smart enough not to become reliant on one outside contractor. When the internal management services division won a review in December 1991, the third party had to hand over the reins of power.

North admits that the return of IT operations to the core company was not totally trouble-free. "We use a job-scheduling language, a program whose purpose is to tell the computer when to run other programs. EDS don't run this language. So all of that system had to be rewritten and tested."

Nevertheless, North praises EDS for their pragmatic approach to defeat at the hands of the customer's IT experts. "They recognised that their job was essentially a short-term one."

What really drove NUH to abandon reliance on an outside source? Money is the key.

"We could do it cheaper in-house, and it was a better long-term investment in terms of the commitment of the IT staff."

North discloses an important drawback to outsourcing: "We get a better commitment from people to the company when they're with the company."

He is not hostile to outsourcing but he believes that it is best used under particular circumstances. "If you've got a skills shortage, then this is a good opportunity to get the expense of running IT out of your hair."

As things stand, NUH now employs more than 500 staff, with an annual IT budget of £1.3m. It can lay claim to 7 per cent of the total private medical insurance market, with 528,000 customers.

North adds: "I wouldn't rule out going back to EDS, if they came up with a good business solution."

Michael Wiltshire highlights advances in desktop publishing

Buzzing with prospects

Advancing technology is rapidly changing the definition of basic desktop publishing – or DTP, as it is called – since almost all media material can now be processed on today's powerful desktop computers.

While many users in the past decade have thought of DTP merely as a way of producing printed documents, the industry is buzzing with prospects of the new electronic infrastructure that goes far beyond putting ink on paper.

Today's powerful desktop computer systems can also help turn a brochure or book into a compact disc (CD-ROM), or bring its contents on-line, delivered through a computer.

Publishing on electronic media, particularly Internet, which links 2.2m computers and 25m users in 137 countries, was a key topic at this month's Seybold publishing conference in San Francisco.

"In no way is publishing just getting 'ink on paper,' although that will surely remain at the core for many years to come," comments David Heath of Apple Computer – the largest single computer vendor to the publishing industry.

There are several key DTP markets. At the lower-end, there is the personal or "office DTP" sector, which includes in-house publishing for the promotion of products or services.

Then, at the higher end, there is professional DTP, described by Apple as "Publishing for profit." This includes graphic art services and pre-press work for advertising and publishing of newspapers, books and magazines.

In the past four years, the complex DTP market has further fragmented.

Apart from increasing applications for electronic lay-out tools by designers and advertising agencies, corporate publishers are producing long, "content-driven" technical documents and reports which may range from, say, 100 to 3,000 pages.

In this sector, personal computers with Windows packages are increasingly evident.

In a third development, feature-rich word processing packages are infringing on the traditional DTP market.

Increasingly, businesses, educators, governments and individual computer users need systems to author, access and work with the emerging electronic base of information. This aggressive focus on emerging technologies for what is called "information authoring," is also leading to mergers in the DTP software industry.

Fiona O'Carroll: 'A lot of libraries are using this system'

Speed of use, cost-cutting, advanced software and colour-management for paper documents are among the hot issues at the higher end of DTP. Another important topic is the ability to view information on-line, using electronic distribution of documents. Publishing is seldom the product of just one or two people.

While increasingly powerful PCs are coming to the market, the Apple Mac is still dominant in the pre-press process, both for graphics, advertising and design agencies.

Apple has now introduced the Power Macintosh, a new "platform" based on the PowerPC, developed jointly by IBM, Apple and Motorola. The Power Mac is claimed to offer from two to 10 times the performance of current Mac and Windows-based computers. This speed permits faster use of graphics packages, allowing designers more time to explore varying approaches.

For example, the intricate process of picture colour-matching can now be achieved in a fraction of the time it took in the past. Publishers can therefore cut costs while handling more complex documents, while also expanding into new media beyond ink on paper, eventually integrating sound, video, animation, text and still images.

For users of DTP systems, the information explosion via the desktop computer is also leading to increasing demands for document and data management, allowing rapid levels of access before the final document is assembled.

"There's no need to send reams of printed information around companies now," suggests Fiona O'Carroll, European marketing manager of Frame Technology, the US document publishing group. "Users can rapidly view well-laid-out documents on-line or via CD-Rom disc. A lot of libraries, for example, are using this system."

INTO THE FUTURE

Systems for the digital age

Two pioneering companies in the DTP world – Aldus and Adobe – announced their merger in March this year with the aim of providing systems to meet the new demands for distributing information in the digital age.

Both companies have for long set world DTP standards.

Adobe, founded in 1982, developed its high-level PostScript page description which allows users to output text to printers such as the Apple LaserWriter.

Last year, Adobe launched the Acrobat family of software products to capture type, images, colour and lay-outs and make them transmissible between computers that have nothing in common – except Adobe Acrobat.

Aldus, founded in 1984, developed Aldus PageMaker, which allows people to design, edit and produce printed communications electronically.

More than 2.5m copies of PageMaker have been sold.

For Macintosh and Windows users, PageMaker is the pioneering program for turning the computer screen into an integrated paste-up board, complete with professional design aids.

Both companies are innovators in creating what they call "the desktop broadcasting revolution" with non-linear digital video editing and digital post-production production.

Furthermore, a number of repro houses are moving towards the Power Macintosh – "by having this extra speed, it gives me another week's work in year," argues one publisher.

Speed and compatibility between desktop computers are important to users – "there is also a clear move toward cross-compatibility, enabling, for example, Macs to 'talk' to Compaq machines," says Martin Hollis, an analyst with the Ashdown research group.

Among the innovative pre-press products coming to the market is Kodak's CD portfolio software.

This is the latest addition to the company's range of software that allows desktop computer users to create their own Photo CD discs for developing interactive sound and picture presentations.

Meanwhile, basic DTP system prices have fallen dramatically, particularly at the lower end. "At £50 to £100, almost anyone can afford a DTP software package for home or small business use," comments Peter Foster, a consultant for International Data Corporation. Training was once a bottleneck for new DTP entrants, but basic packages are now far more "intuitive" and user-friendly.

Thus, for the novice, learning the basics of DTP has never been easier. Microsoft's "Publisher" has proved to be one of the most popular programs for beginners.

New software allows non-professional users to easily drop graphics and images into business documents, creating stunning forms, flow-charts and reports.

As prices of equipment fall, especially at the lower end of DTP, users are spoiled for choice. A typical system includes a personal computer, a high resolution monitor, a "mouse" or hand-controlled digitiser for positioning text and graphics, plus software for word-processing, graphics and page composition, and a laser printer.

Colour is increasingly significant at all levels of DTP. QMS have recently launched the Magicolour desktop laser printer, priced at about £10,000, offering colour output significantly higher than colour thermal transfer and high-end colour laser copiers or printers.

The financial sector leads the way in business applications for DTP with the production of rapid and attractive overnight reports for investors. For example, Smith Newcourt, the international stock brokers, have used DTP for years; the firm is now developing its DTP system as an integral part of an internal communications system. At the heart is the software package Adobe PageMaker 5.0 which the company runs worldwide on both PC and Macintosh platforms.

Mike Frost, publishing systems analyst at Smith Newcourt in London, says the aim is to make the system even faster to include up-to-the-minute information-sharing on a worldwide basis.

Linked to the company's electronic mail system, its reports can be published simultaneously in London, New York, Tokyo and Hong Kong.

USING COMPUTERS IN BUSINESS 3

Philip Manchester on security

The walls have come down

Breaches of security in computer networks are not only embarrassing – they are also costly. A survey of UK companies conducted by the National Computing Centre (NCC) this year put the average cost of a security breach at more than £9,000. The survey also revealed that four out of five companies had reported security breaches in the past two years.

The NCC survey describes a wide range of security problems and highlights how important the issue has become – especially since the spread of computer networks and powerful desktop computers.

Eubanks: 'With today's networks, security is an architectural issue'

Malicious network hackers, "virus" software, criminals and even staff with a grudge are just some of the possible security threats which are the inevitable result of opening up computer networks and distributing computer power.

"With today's networks, security is an architectural issue. As we move to distributed computing by replacing the central mainframe with networks of PCs, it makes systems more vulnerable," says Mr Gordon Eubanks, chief executive of US security software specialist Symantec.

"It is a bit like the change from guarding a house with one entrance to guarding a house with 10 – it is not an insoluble problem but it needs companies to take action," Mr Eubanks continues.

Mr Chris Hook, a managing consultant at the NCC who specialises in security, says: "The walls around the system have come down and control has shifted to end users. They do not know how dangerous it is not to take precautions because they have not been trained."

He says staff training is one of the keys to making computer network more secure and that there is room for improvement. In the NCC survey, companies were asked if they trained their staff to follow security procedures and most said that they did. But when asked if the procedures were actually followed, the picture was very different. "Only 27 per cent were following the procedures in practice. This shows that companies think they have trained their staff when in fact they need to explain why the procedures are needed," Mr Hook observes.

In addition to proper training, Mr Hook also recommends that companies must plan both for preventative security and for coping with breaches.

"You have to think through the implications of a security breach on the business and identify the important threats," says Mr Keith Dunnicliffe, a security consultant at Group Bull in the UK.

"There is a danger that people get carried away with technology and pour a lot of money into anti-virus programs, log-in systems and the like. But you must step back and look at the simple things – the company procedures; who has access to the system; and so on. Then you can see the risks and the costs of coping with them in a business context."

"The personal computer caused people to go off and work on their own. What companies now want are products which will enable groups of workers to collaborate more effectively." So says Michael Skok, chairman and chief executive of European Software Publishing (ESP).

NATIONAL SURVEY

Sabotage incidents most costly

Not surprisingly, companies are reluctant to talk about their security problems. It is acutely embarrassing and makes them vulnerable to further breaches.

This reluctance is reflected in the National Computing Centre (NCC) survey published in July. Of the 850 UK companies who replied to the survey, only 74 were prepared to talk further about specific security breaches. The NCC interviewed 25 companies which generated 31 case studies. These studies, together with seven further NCC studies are published in the survey.

The NCC notes that the majority of the incidents dealt with viruses (16), theft of equipment (11) and unauthorised access (8). A few sabotage incidents were also reported.

The incidents of virus infection' range from the relatively trivial to the very serious. One small company encountered problems from someone accidentally introducing the so-called "Michelangelo" virus via a golf program. It cost about £2,000 to put right and caused no real problems.

A large food and drink company quoted in the survey was faced with a more serious virus problem following 34 redundancies in its information systems department. A virus called Form, which destroys data, was accidentally introduced into a local area network of 40 personal computers:

"A PC user took a blank disk from a box and formatted it on her PC. She then copied a file to the disk and took it to another PC to make use of the laser printing facilities. Unknown to the user, the "blank" disk had been infected with a version of Form then replaced in the box."

The incident cost the company £50,000 in time and effort to put right and it has since introduced vetting procedures on all incoming disks.

Sabotage incidents of this type – although rare – are the most costly. It cost a large company in the information technology sector an estimated £33,000 to recover from damage done by a disgruntled student. The student managed to "hack" into the company network using a dial-up modem and an unauthorised account number. Files were deleted and derogatory messages were sent through the electronic mail system.

The student was later charged and convicted under the Computer Misuse Act, receiving a six-month suspended sentence.

Even relatively trivial incidents can mean significant costs in the long term. A government department notes that, although it cost only £500 to get rid of a virus in its network of 250 PCs, there is an overhead associated with monitoring for further incidents:

"There is a continuous background cost of perhaps £6,000 a year to provide basic facilities to enable detection of this type of event."

The British Standards Institute has published a Code of Practice for Information Security Management based on the best practice and experiences of a wide range of companies. The NCC includes an analysis of this in the 1994 survey together with recommendations as to how it can be improved. The NCC can be contacted on 061 228 6333.

Joia Shillingford takes a look at groupware

For collaborators

A growing number of these products – often referred to as groupware – are becoming available. The research consultancy Ovum divides groupware into four categories:

● Workflow products, which control the flow of work between users. These include Staffware, from the UK-based company of the same name and the Action Workflow Management System from US company Action Technologies.

● Intelligent messaging products, such as BeyondMail, distributed by UK-based ESP. BeyondMail can filter messages and distribute information according to certain rules – for example, all mail from the boss goes to the top of the queue. It also provides some workflow-like features.

● Niche groupware applications, such as group scheduling and meeting support. Videoconferencing is sometimes regarded as a form of groupware – especially if video images can be displayed in a window on the user's PC.

● Groupware suites (for example, Lotus Notes) which integrate a variety of groupware functions, such as information-sharing and conferencing. Ovum believes that groupware suites will become the dominant area of the groupware market, replacing office automation systems.

Notes dominates the groupware market, with Lotus claiming sales of about 1m copies. Microsoft is planning to introduce a rival product next year called Exchange Server, which will run under its Windows NT operating system. This will give users on PC networks access to scheduling, document management, electronic mail, electronic forms, directories, voice mail and faxes.

Lotus and Novell, which has acquired WordPerfect, also plans to introduce new messaging-based groupware products next year. Other players in this market include office automation suppliers, such as AT&T GIS, ICL, Digital Equipment and Uniplex, who are adding collaborative features to their products.

Michael Skok: European Software Publishing's chief executive

Ovum says the total market for all types of local-area network-based groupware is already about $700m in the US and Europe and it expects this to grow to $2.2bn by 1998. It predicts that growth rates will be high until 1995, after which more moderate rates of 15 per cent a year can be expected.

The benefits of groupware can include reduced meeting times, improved information sharing, and the speeding up of routine processes. But it is all too easy to waste money on it.

One problem is that users are not always willing to share information. Senior managers, in particular, like to hoard information, according to a Reuters survey on Information Misers.

This means that it is very important to monitor the level of usage new systems are getting after they have been introduced. If usage is low, then something can be done about it.

Roger Whitehead, consultant and editor of the Groupware News newsletter, warns that: "Groupware is no more able to influence group behaviour than a keyboard unless it is implemented as part of a willingness to change."

CASE STUDY

Tool will aid team working

Accountants Ernst & Young are using Lotus Notes to support a move to a flatter organisational structure. They wanted a tool which would aid team working and provide better information on which to base decisions.

Notes software serves three functions:

● It makes it easier for teams of workers to share information even if they are not at the same site.

● It simplifies the task of extracting information from the company's central systems, or adding it.

● It is being used to build a number of new databases.

The system is partly implemented and Ernst & Young is in the process of rolling it out to 2,000 of its partner-managers. Within the UK, people in Glasgow can see the same information as people in London.

The firm is also beginning to use Notes internationally – for example, in the US.

"There is a lot of opportunity to share information on clients across offices," according to Mark Bushell, Lotus Notes Project Manager at Ernst & Young. For example, staff must add meeting minutes to Notes, and these can be looked at by others in their team. Action points can be included in the meeting notes but these can only be seen by the people who are meant to carry them out.

When any team members who have not attended a particular meeting next go into Notes, they will see a small meetings symbol (or icon). This will have a number on it to show them how many new documents there are in the database that they have not read. But if they are pressed for time, they can ask just to see the action points relating to themselves. "The whole system is geared towards telling you what's new and telling you how to find it," says Bushell.

He believes the key to success is to make Notes part of users' daily routine. However, Notes can fail if a central department simply asks people to add information that is of no benefit to them.

Notes can also be used to disguise the difficulty of other systems. Ernst & Young has a big Oracle database containing client and contact information. "It's not very easy to get data out of it, so we're providing access via Notes," says Bushell.

Users can update the database through Notes or even add additional comments directly into Notes. The new Oracle data and the comments in Notes can then be viewed together as if they were stored in one place.

Lotus Notes can cost as little as $230 per person for volume purchases in the US, according to Bushell. But he says it usually costs a bit more in Britain. In addition, Ernst & Young is using Infopump software from US-based Trinzic to link Notes to its existing databases. This costs about $20,000 a pump and a large organisation will probably need several.

Achieving a return on this investment can take some time. Bushell says: "It can take anything from two to six months before people get used to Notes. Once they do, they come to depend on it and benefits can include fewer meetings and better management of projects that involve several sites."

John Kavanagh examines developments in right-sizing

Belated switch of emphasis

Computer right-sizing used to be simple.

You looked at the central mainframe computer costing possibly millions of pounds, the end-users' display terminals with their fixed-format inquiry screens in black and white, and the army of expensive specialists taking months to write the simplest programs, and compared it with cheap, friendly, colour PCs apparently allowing business people to do anything they wanted, whenever they wanted.

No contest. Indeed, a survey by computer supplier Sequent shows that almost two-thirds of completed right-sizing projects were carried out to cut costs. The second main reason, mentioned by 30 per cent of companies, was the related issue of replacing an obsolete computer, typically a central mainframe.

But since the early 1990s this "simplistic downsizing", as Computer Technology Research Group calls it, has been severely questioned by analyses of costs and by a perhaps surprisingly belated switch of emphasis to business issues.

Several studies by independent research groups now question whether cost savings are possible from moving to PC networks or client-server systems, which typically combine PCs and more powerful local computers. One survey by Xephon has found that mainframe systems are the cheapest, per end-user, with minicomputer systems 50 per cent more expensive and PC networks more than twice the cost.

These studies highlight the fact that mainframe costs are quite well defined: equipment, software, maintenance and central staff. But PC networks and distributed minicomputers have hidden costs of duplicated work, security, maintenance, hardware and software failures and, most of all, support – not only by central specialists but also by local office staff who spend their time running PCs instead of doing their proper jobs.

In addition, there are shortages of the skills needed to move from mainframes to PC or Unix minicomputer systems. The Sequent survey found this to be a problem among three-quarters of companies questioned – including system suppliers themselves.

"Cost reductions must not be the key incentive for moving to client-server," says Mr Per Andersen, a director of research firm IDC. "The cost structure of using information technology changes dramatically. Instead of hardware and software making up most of the costs, staffing and support constitute more than half the costs in most cases."

Cost savings are possible, but only if companies look beyond "simplistic downsizing" and match their computing to business needs. Indeed, our case study shows a company moving back towards a central set-up as the need for certain corporate systems and databases emerged. This is not uncommon. Research firm Gartner Group says: "We believe the central function will have a resurgence as end-users realise the true costs and complexity of mission-critical computing."

So the starting point for right-sizing must be business needs, not computing costs. Computers and networks can now match company structures, and reviews of computing set-ups should be led by reviews of business organisation.

Steve Wanless, product manager at Sequent, says: "Right-sizing is all about selecting hardware which will provide the computing infrastructure and systems flexibility to match the business," he says. "This does not necessarily mean ditching all existing systems and proprietary hardware."

CASE STUDY

Running costs cut by two thirds

Provident Personal Credit knows all about right-sizing: this financial services company has done it twice in the past six years. In that time it has cut costs while confirming that simply moving from big computers to small ones is only part of the job.

In the late 1980s, Provident Personal Credit started running down its Unisys central mainframe computer and installing Digital Equipment Vax machines in business departments. The computing staff, too, were moved out to work alongside their end-users.

"We had the traditional problem of a central mainframe department, semi-detached from the rest of the organisation and never really meeting business needs," says Mr David Chan, information technology director "The costs of the operation were not reflected in business benefits."

Installing local computers gave business departments control of their own computing, helped by their own computing specialists. However, by 1992 the company saw the need for a compromise between central and departmental systems.

"We found there was a need for certain centralised systems and information, for example a corporate customer database," says Mr Chan. "So we have functionality in the departments but control and strategic systems back at the centre again.

"In addition, having central computing staff is more efficient than giving each department its own team." The company has switched to Unix computers from Hewlett-Packard and to database and system development products from Sybase.

Running costs have been cut by two thirds and the number of system development staff has been halved. Meanwhile business departments have the systems, the information and the service they need.

Such changes have not been simple. Indeed, Chan puts much of the success down to the fact that he called in human consultants early on.

"We were a mainframe shop with a traditional command hierarchy, like an old-fashioned army," he says. "We needed a new culture, where the emphasis was on delivering service, generating ideas and working together."

Work was done not only on setting up appraisal schemes and training but also on personal motivation: "opening the possibility of individual fulfilment through work", as David Chan puts it.

Team skills were also built up to fit a new department structure. This led to greater trust between staff.

"In a traditional hierarchy you refer decisions upwards and watch your back," Mr Chan says. "But our people now trust each other and are open to suggestions. They're not constantly worrying about failure.

Three people were identified as potential opponents to the changes: they have all left the company.

"Technical training was important but we could not have succeeded without the human development work," says Chan. "We went from a low-delivery, inefficient, classic programming shop to an open, high-delivery, successful and innovative department in a year – and all with the same people."

Joia Shillingford on enterprise networking and databases

New dimensions favoured

As PC users are increasingly linked into enterprise networks, they are starting to become more demanding. They know that information vital to their work sits in other computers on the network. And they ask, not unreasonably, why they cannot get it out in the form they want.

The answer is that a lot of this information is probably stored in relational databases. According to David Carew-Jones, international marketing manager of US-based Pilot Software: "Relational databases are really good at presenting the same type of information in the same form each month. But they aren't so good in areas like sales and marketing where what's needed is a quick response to ad hoc queries requiring complex analysis."

He and many other executive information system (EIS) suppliers believe that multidimensional databases are much better for on-line analytical processing (Olap) by users.

This is because relational databases are best for transactions which require access to parts of the database that are closely related. By contrast, detailed marketing analysis may require looking for connections and patterns in parts of the database which are not closely related.

In a multidimensional database designed for Olap, data is organised into dimensions. For example, a four-dimensional entry might include a geography dimension (eg sales regions), a price dimension, a time dimension (eg when sold) and a product dimension. Users can interrogate the database quickly using any combination of dimensions.

Olap's cause prospered when Ted Codd, the father of the relational database, wrote a paper on the subject (commissioned by US Olap company Arbor). He agreed that multidimensional databases were better for some types of analysis and defined 12 Olap rules to which they should conform.

Nevertheless Codd says that Olap databases are "not a substitute for relational databases and should be used in conjunction with them, or with files from legacy [old] systems."

Olap databases usually take a copy of the information on the company's main database at regular intervals – every 24 hours, for example – and re-index it by dimensions.

Codd has evaluated two Olap databases which conform to most of his rules. They are Arbor's Essbase, on which Comshare's Commander Olap is based, and TM1 from US-based Sinper.

However, he has not evaluated all the Olap products on the market and there are many other products which claim to conform.

Other suppliers include Pilot, IRI and Kenan.

He says that when selecting an Olap database, users should:

- Decide how much concurrent working is needed between the analysis activity and the company's main operational database.
- Make sure that the analysis activity doesn't interfere with the day-to-day running of the operational database. For this reason an Olap product which can operate in a client-server environment, with operational and Olap databases on different server computers may be best.
- Try out different systems to see which provide the level of performance required both in terms of computer power and in terms of usability.

However, Codd warns that once an Olap database is in place, the pressure to make use of it can become intense.

CASE STUDY

PC Express provides analysis tool

When Bulmers decided to change its focus from being a volume-driven business to a profit-oriented company, it realised that it would need new analysis tools.

It wanted its 40 national account managers to be able to get up-to-date information on profitability by customer (for example, Tesco, Asda, Sainsbury) and by brand. And it wanted its 12 brand managers-planners to be able to look at the make-up of a brand and all its associated costs including marketing, packaging and distribution.

Two years ago, the company began to look for a suitable product.

Today it is using PC Express, a multi-dimensional Olap database from US-based Information Resources (IRI). The database – used in conjunction with IRI's Financial Management System (financial planning software) – helps the company analyse its data from many different perspectives (or dimensions).

Dr Martin Wynn, head of information technology at Bulmers, says "previously we could get data on sales volume and value, but not profitability."

The PC Express database sits on a pentium server (a powerful PC) and is updated every 24-hours with the latest information from the company's existing Oracle database. PC Express indexes the data it receives by all conceivable dimensions, such as by customer, by product and by date. Because the data is already indexed, PC users can get fast replies to any ad hoc queries that occur to them.

The project to introduce a new system began two years ago. At present the system has three Bulmers users. But, in the next six to nine months, it will be given to its national-account and brand managers, and to a handful of its financial controllers and directors.

Including hardware, software and staff time, the project has cost almost £1m. It is expected to yield hard benefits of £450,000 a year and another £200,000-£250,000 in soft benefits.

Tim Furse, the company's commercial director, believes the hard benefits will include cost savings. "We will be able to track the effectiveness of our spend whether it be on distribution, packaging, promotion or producing our products," he says. "We can then take out cost where necessary, for example, in packaging."

The system is also expected to improve profitability. The plan is that Bulmer's account managers will be able to take into account the full costs of dealing with a particular customer. They will also be able to look at the mix of brands sold to each account, noting those which are most profitable for the company.

Using the financial management software, account managers will be able to produce monthly forecasts of the profit contributions of their accounts – and brand managers will be able to predict the likely progress of their brands.

Joia Shillingford is associate editor of the Financial Times newsletter Business Computing Brief

MULTIMEDIA

Waiting for the clincher

The "killer application" that will turn multimedia from a gimmick into a business necessity hasn't happened yet, writes Claire Gooding.

It was Visicalc spreadsheet software that turned microcomputers into business machines, and its successor Lotus 1-2-3 that sold 80 per cent of IBM PCs. But the average PC buyer, both commercial and home consumer, is still waiting for the irresistible multimedia application: the clincher that convinces them to spend the extra on CD-ROM drive and supporting technology.

Some point to long-distance videoconferencing – and the price of air tickets – as the incentive, others to the games and home market for selective film viewing known as video-on-demand. As for applications, there are an increasing number of samples outside the traditional areas of training and education. These are being promoted as "real live commercial applications" for multimedia, but they are still pioneers.

In fact, the market can not take off before three factors are settled: reliability, ease of use, and the "critical mass" factor. Previous waves of technology have proved this pattern in everything from cars to cameras, faxes and video tape recorders. There's not much point being the first user of the telephone or fax if your peer group isn't similarly equipped.

In the US, says multimedia consultant Jeffrey Goldberg of Dataquest, things are more advanced. "For the average US home buyer, buying patterns prove that the CD-ROM is more important than having the fastest possible speed of processor" he says. "Even though the software itself is still in short supply, they want the capability there."

He notes that in the IT industry, software suppliers are seizing on the technology as an alternative to using unwieldy bundles of discs for the distribution of products and upgrades. "There has to be a return on investment and a commercial incentive, because the technology isn't cheap".

Reliability is another delimiter, according to Anne Perlman, vice-president of the multimedia division of Tandem Computers of Cupertino, which specialises in "non-stop" fail-safe computers.

"The focus has to be on business applications for multimedia, because it will be three to five years before networks are sufficiently upgraded to serve home consumers," she says.

"Reliability is critical if a business is on line 24 hours a day across different time zones: users have to be able to take it for granted that the service will be working when they need it, much as we do for TV or electricity supply."

Multimedia is simply a consolidation of many technologies we have come to take for granted, including computing, telecommunications, computer graphics and text, fax, video and photography. The so-called "information superhighway" allows the computer user to tap into online databases and other remote sources. This is already possible with current electronic mail and messaging systems, but much enhanced by the used of graphics and live pictures as used in videoconferencing.

This accessibility still depends on a chain of skills and commodities, and the development of multimedia is characterised by partnerships and consortia.

Large suppliers such as Sony are already providing the hardware, but smaller suppliers provide for specialist areas: Micropolis' new video-on-demand server, for example, or VideoLogic's Vesa Media Channel for PC/video integration.

CASE STUDY

Customer is in the driving seat

The second-hand car salesman as characterised in street mythology is a man not to be trusted. "The retail trade is not held in high esteem," says John Bacon, an executive director of Camden Motors.

Research has made Bacon painfully aware of how the public views the process of buying a car. He is determined to change things in his industry, with the help of a multimedia project part-funded by the European software development programme Esprit.

Bacon's research established that until the actual hand-over of a new car "the buyers are often unsure that they're getting what they want."

There are, in his opinion, too many variables for the average car-buying customer, who feels that the sales person is in charge of the process. The customer's ignorance of the many different variables – discounts, value of part-exchange, catalogue data and so on – puts them at a disadvantage.

"Add to those variables the process of trading used cars, finance and loans, and it becomes bewildering for the buyer," he says. He argues that the sales role has concentrated on dealing skills – the much-caricatured hard-sell patter – and not enough on really helping the customer through the maze of choices.

The multimedia system is designed to put the customer in the driving seat, both metaphorically and literally. It is already working in a test environment at Camden Motors' headquarters in Leighton Buzzard.

The system uses information from a variety of sources, presented in text and video. By picking a route through a maze of options on such issues as finance (probably the most daunting topic for the average buyer), users can arm themselves with very specific information. This typically includes valuation of the present car for trade-in, options for finance, and new models in which they are interested, which users can ascertain before coming face-to-face with anyone on the sales floor.

Improving the process of buying a car is a critical issue for Camden Motors, which buys and sells countless vehicles every year for large commercial clients. Established in 1932, Camden Motors ranks as the fifth-largest supplier of new cars and the third-largest seller of used cars in the UK in 1994.

Corporate clients include its parent, Barclays Bank, and Alamo Rent A Car, to whom it is supplying 65,000 cars up to the end of December 2000.

Barclays' own heavy involvement with multimedia gave Bacon the chance to improve upon a touch-screen pre-sales "car shopping" system which had already proved successful. In 1991, Camden Motors won funding of £3m from Esprit, in a consortium including Barclays and multimedia developer Olivetti.

From the 174 applications for funding, the Camden Motors project became one of the 17 endorsed applications: it has matched the investment with £312,000 of its own, spent on setting up the IT infrastructure, including a 486-based computer and ISDN network, and extensive staff training.

"People have asked me if this is IT looking for a function. In fact there's a real need," says Bacon. "The challenge of multimedia is to address the business problems of motor retail. I'm no techie, I wouldn't be interested if it wasn't a solid commercial problem being solved."

Business process re-engineering

No guarantee of success

Everybody is doing it... well, almost everybody. In the two years since Mr Michael Hammer popularised the notion of business process re-engineering in the Harvard Business Review, it has been embraced by many of the world's largest organisations, writes Alan Cane.

Separate studies carried out earlier this year by the Cranfield School of Management and Price Waterhouse suggest that up to 70 per cent of large companies in the UK have undertaken or are about to undertake BPR. It would be a surprisingly high figure for any management technique, even one currently as fashionable. But BPR can be risky, involves comprehensive planning and carries no guarantee of success.

On the other hand, the economic climate of the past few years has favoured measures which promote efficiency, effectiveness and cost-cutting. Most of the companies questioned by Cranfield said they were primarily interested in potential savings.

BPR, as defined by Mr Hammer, involves a fundamental reassessment of the way a company does its business, identifying and simplifying the basic processes to achieve maximum operational efficiencies. BPR cuts across traditional functions; layers of management are frequently found to be redundant during the analysis.

This reassessment is driven by the needs of the business, not information technology. But once the basic processes have been defined, IT can be used to find greater efficiencies through automation.

It is not an entirely new concept. Mr Geoff Elliott and Mr Robin Holland, senior consultants at Computer Management Group, note: "BPR is clearly an attention-grabbing headline but we believe, at the fundamental level, that there is no difference between BPR, total quality management, change management and organisational development. The real difference is the extent and speed of the change that firms are being forced to address by the markets".

Elliott and Holland's conclusion has the benefit of rendering redundant sematic arguments about BPR. The technique itself has a reputation for a high failure rate, prompting one executive to sniff: "For my taste, BPR is too dramatic a technique".

This attitude is attacked by Mr Hammer and his colleague Steven Stanton in a recent paper: "Re-engineering failure is not caused by bad luck, cosmic rays or other factors beyond a company's control. On the contrary, success or failure at re-engineering is determined by a company's understanding of re-engineering, its ability at executing it and the commitment of its executives to do it."

Hammer and Stanton suggest there are two reasons companies fail at re-engineering. First, because they do not know what they are doing and therefore commit classic errors such as wasting time on the analysis of existing processes. ("Virtually, everything learned in such an exercise is destined for the rubbish heap," they warn.)

Second, there is inadequate commitment and leadership from the top. "No one need fail at re-engineering" they write. "Indeed, we are hard pressed to cite a re-engineering failure among organisations who have gone about it in a sound fashion."

CASE STUDY

Building society conundrum

The National & Provincial Building Society, the UK's 12th largest, has been undergoing a radical transformation since 1990 when Mr David O'Brien, formerly managing director of Rank Xerox in the UK, joined as chief executive.

Mr O'Brien describes what he has been doing at N&P as process design rather than process re-engineering. His starting point was the building society conundrum: where should the balance be struck between a profit and meeting the needs of the customers?

The decision was taken to focus on becoming a true bank assurer: the kind of organisation a customer can approach easily for advice and guidance about his or her unique financial circumstances.

Mr O'Brien, drawing on his experience with Rank Xerox and in particular with its Japanese ally Fuji-Xerox, decided to start from scratch. The business of process design involved new ways of thinking. Some 18 processes within the bank were reduced to 10. New names reflect new approaches. There is no longer a marketing department; instead, there is a customer requirement process. There is no sales department. It has been replaced by a customer engagement process.

"Our staff no longer have jobs, they have roles. They do not have job descriptions, they have responsibilities", says Mr O'Brien .

Mr O'Brien believes that that process design encompasses a whole range of activities which are often described as discrete activities. So empowerment, de-layering and total quality management are all elements in his design process rather than ends in themselves.

Note that the systems are the final part of the operation. They are mapped onto the new structure rather than being used to automate existing processes. The society is working with Unisys, the US computer manufacturer, on hardware and software as it moves from mainframe-based systems to a modern client-server approach.

The aim is to design the entire operation around object-orientated systems, the rapidly evolving software technique where real life objects are modelled in software. Such designs can be adapted more rapidly to changes in the business environment than conventional mainframe or mini computer systems. Mr O'Brien describes the organisation as consisting of three kinds of objects: process objects, system objects and people objects.

Now four years into the programme, Mr O'Brien believes he is about two-thirds of the way through the transformation.

He measures several parameters to test how successfully the new structure is working. A key measure is the strength of the society's relationship with its customers. Put simply, the society draws up a profile of the financial services each customer could benefit from, and compares it with the services they actually use.

Mr O'Brien says there are now no obsolete, low-interest accounts where neither society nor customer benefits.

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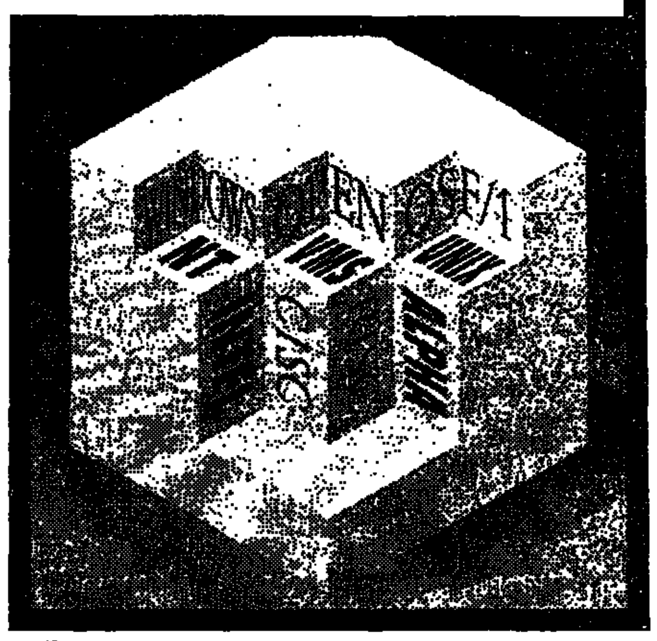

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George Black reviews developments in interoperability

Invented to meet a need

Mike Lambert, chief technical officer of X/Open

Interoperability is among the ugliest words coined by the computer industry, but like many of its kind it was invented to meet a need.

It means something more than either compatibility or portability. Systems can be compatible with each other without working together smoothly. Software can be ported from one machine to another without allowing applications to communicate effectively.

UNIX systems, for instance, have gained popularity partly because they are more portable than the older proprietary systems, but this does not produce instant interoperability.

XjOpen, the international promoter of open systems, is about to produce a single specification for UNIX (known as Spec 1170) replacing existing incompatible versions. This will improve portability, but will leave the interoperability issue not solved.

The current X/Open brand, displayed by products which incorporate its XPG4 specifications, is a certificate of portability, not of interoperability. X/Open plans to launch an interoperability brand during 1995, working more closely than before with the Open Software Foundation consortium, previously a competitor. The brand is likely to draw heavily on OSF's DCE (Distributed Computing Environment) software.

For the past few years interoperability has been one of the main goals of users, vendors and standards bodies alike. At its technical briefing this summer X/Open stated that it would continue to be one of its main goals for at least the next three years.

Some industry observers have the impression that interoperability is a continually receding goal, but XjOpen insists that it is now in sight and attainable.

Progress is slow because it depends on getting consensus among both vendors and users. It can take 18 months from agreeing a requirement to publishing a specification and a lot longer for vendors to market compliant products. The complexity of testing new products creates a bottleneck and there is a serious shortage of money to do all the work.

Mr Mike Lambert, chief technical officer of X/Open, defines interoperability in non-technical terms as "the ability of two different applications to do something useful together."

He says the main problem is not a technical one but concerns the way in which computer systems are delivered, integrated and supported.

"Banks and government departments have the systems integration skills in-house to cope with this, but many smaller users do not," he says.

Interoperability depends on products complying with *de jure* and *de facto* standards. That, however, begs a number of questions, most importantly what constitutes a standard.

A couple of years ago X/Open intended the Open Systems Interconnection (OSI) model of the International Standards Organisation (ISO) to be the basis of its brand.

It encouraged migration from unofficial protocols such as TCP/IP (Transmission Control protocol/Internet Protocol) to official OSI standards.

But Mr Lambert acknowledges that the whole industry's emphasis has moved away from *de jure* to *de facto* standards, such as TCP/IP.

Earlier this year, the Brussels-based standards Promotion and Applications Group (SPAG) was forced to abandon its OSI interoperability testing programme because demand for OSI products was not enough to finance the venture. Its work may be taken over by X/Open.

Mr Lambert concedes that at the lower levels of communication OSI has failed in the market, but argues that at the higher levels affecting interoperability it has been successful. He cites the X.400 messaging standard as an example.

CASE STUDY

Obstacles along the ISO route

Even large users run into difficulties in trying to follow what they are told are international standards. An example is Trafalgar House Engineering Division, which includes John Brown Engineering.

It has won a clutch of awards for technological excellence and has been committed to an open systems strategy for several years, yet it was perplexed by a string of obstacles along the route prescribed by the ISO.

It set up an international network connecting all the company's 37 offices in 12 countries, as well as a number of its suppliers and contractors. The network supports a global database, which can be accessed by its engineers and designers wherever they may be.

It disposed of 12 Unisys mainframes and substituted some 200 UNIX workstations. To procure these machines it issued to UNIX vendors a list of criteria for openness. From the replies it discovered that it could not be sure of interoperability even though all the vendors claimed to offer open systems. In the end it standardised on machines from Hewlett Packard and Sun Microsystems.

To make such a complex network possible it stuck to what it considered to be industry standards, among them TCP/IP, X.400, the SQL database standard and Microsoft's DOS operating system.

It preferred OSI standards where they existed but was willing to adopt *de facto* ones where they did not, or make up its own where neither existed.

"OSI standards are necessary but not sufficient," concludes Mr Jim Noble, the division's information technology director.

"We adopted the official standards for ISDN (Integrated Service Digital Network), X.400 and X.21 but we still found that A did not talk to B because the suppliers had interpreted the standards differently. So we had to knock heads together."

In some cases this proved possible – Trafalgar House succeeded in persuading BT and its Dutch counterpart to interpret standards in the same way – but now it is struggling to do the same in countries where achieving compatibility is much harder, such as Vietnam, Puerto Rico and Kasakhstan.

Mr Noble says his company, like others, is getting to interoperability by pragmatic steps. "OSI was seen as the holy grail but it no longer is. TCP/IP will do for us for the foreseeable future. We're prepared to set aside principles in order to get effective solutions. We will look at X/Open specifications for guidance, but we are not concerned to buy products that have the X/Open brand."

The X/Open interoperability brand will therefore be an important milestone, but is not expected by users to resolve all their problems at once. Interoperability is likely to preoccupy the industry for at least another decade.

CLIENT-SERVERS

Progress has been remarkably slow

Client-server has been a buzzword in the computer industry for several years, yet progress towards introducing such systems has been remarkably slow, writes George Black. Meanwhile, a backlash against the client-server theory has already taken hold.

There are as many plausible definitions of the term as there are suppliers claiming to be experts. Consultancy Butler Bloor's definition seems as good as any: "The splitting of applications between two or more computers, one of which, the server, serves the others with information interactively."

Many people use the term "client-server" interchangeably with the older "distributed systems", even though the latter would seem to be broader in scope. "Co-operative processing", which enjoyed a vogue for a while, is also very close in meaning. "Client-server" can be interpreted in many different ways in practice: technologists use "fat client, thin server" or "thin client, fat server" to describe different ways of dividing the code between machines.

The client-server structure was intended to deliver a much more economical use of computing power than the old mainframes and large minicomputers linked to dumb terminals. These machines were very expensive and often severely overloaded, while personal computers were cheap and not used for much of the time. Mainframes could either be converted to database servers or replaced by smaller machines acting as servers, with PCs taking over much of the application's processing function.

Stories of failed client-server projects and reports that the cost-savings may prove illusory have been deterring users from big investments

For more than a decade now, software houses have been developing tools to enable users to build client-server applications of the same complexity as those which were running on mainframes. But according to Spikes Cavell, a market research company which tracks activities at UK user sites, although many users are now experimenting in this area few are entrusting their mission-critical applications to client-server systems.

"Right now, vendors would have you believe the trend is further advanced than it is," comments Mr Luke Spikes, managing director. "These are small and important developments, but not mainstream ones. If one of these goes wrong, it will not be a major business issue."

Many systems managers are still studying the issue and waiting for the evaluation of pilot projects. They are generally concerned to determine what type of network structure offers the greatest cost-saving without jeopardising technical efficiency. Meanwhile, stories of failed client-server projects and reports that the cost-savings may prove illusory have been deterring users from major investments.

In some cases, users have found that much more mid-range hardware was required than they had anticipated; in other cases they could not get the performance required for lack of adequate software tools. Many managers feel it is still too risky to embark on a mission-critical client-server system.

Mr Mike Evans, UK managing director of client-server tools developer Gupta, says that many of the failures have been due to lack of experience in building large systems, weakness of project management or confusion over user requirements.

However, he argues that the case for choosing a client-server approach has strengthened in the past couple of years because of the introduction of much more powerful server hardware at lower prices. For some, it is the superior user-friendliness of client-server systems which has persuaded them that the risk is worth taking.

CASE STUDY

User-friendly system for care workers

One organisation which has been installing a mission-critical client-server system for its superior user-friendliness is Hampshire County Council's Social Services Department.

It faced a statutory obligation to mount a new programme of care for people in need and the council was required to identify all those who should be covered by the scheme, assess their individual needs, prioritise those needs and devise plans for services.

It decided to design a client-server system to ensure that all those involved in providing care would be users of the system.

Its mainframes were mainly used by administrators but not by the professional social workers themselves. The new system was based on client-server principles so that it would be much easier for social workers to use.

The council's servers are IBM and Amdahl mainframes at the Winchester and Andover head offices, with IBM and Dellpersonal computers acting as local database servers at 19 area offices.

The client machines are local area networks of PCs, which may be installed at some 200 other sites around the county.

The mainframes run a single centralised Oracle database, from which data is downloaded to the area servers running Gupta's SQLBase database. The Oracle database is updated each night in batch mode.

Applications software was written by the Easams consultancy. The system started to go live in April and by next spring will be supporting 460 users.

Dr Angela Oakley, the council's senior consultant who was responsible for setting it up, says the early indications are that it is helping to improve the efficiency of the service.

"Many social workers have a fear of computers, but within an hour or two of using this system they are saying that they really like it," she says.

Dr Oakley says the viability of client-server solutions depends very much on the type of application involved

"They will now spend much less of their time on bureaucracy and more on the caring part of their work."

She says that client-server is "not a cheap, but a cost-effective solution." At worst, the new system will prove no more expensive than the centralised alternative and it is far more powerful and flexible, she says.

She believes there is no other client-server system available for the same application.

Several other local authorities have expressed an interest in buying the software from Hampshire.

Dr Oakley says the viability of client-server solutions depends very much on the type of application involved. "Client-server is not a panacea for all circumstances. There are all sorts of pitfalls. You need to understand whether the application lends itself to this approach. If you need to support several hundred concurrent users on one local database it probably won't work."

The other most important factor, she says, is the range of skills available to the system's developer.

Mr Spikes confirms this and notes: "the shortage of skills is one of the main things which is holding people back now."

USING COMPUTERS IN BUSINESS 7

ELECTRONIC DATA INTERCHANGE

Benefits fuel growth

The integration of the office personal computer with telecommunications systems over the past decade has begun to make paper-free electronic trading, or "electronic commerce," a real possibility, writes Paul Taylor.

Electronic data interchange (EDI) and electronic mail, both value-added network services (Vans), provide the basis for electronic commerce. EDI enables two organisations, usually customer and supplier, to exchange business documents such as orders and invoices using standard electronic forms and their own computers linked via a telecommunications service provider.

The service provider acts like a central post office, routing the documents and messages to their destination and handling any "data translation" needed between different computers or message standards.

"EDI improves the speed and accuracy of the business process," says Mr John Thorpe, managing director of International Network Services (INS) which claims about 65 per cent of the UK market for EDI. Typically he says a company introduces EDI because it saves money on stock and administration.

These benefits have fuelled growth in the use of EDI in the US, where it originated, and more recently Europe. Ovum, the technology consultancy, estimated last year that the EDI market in Europe, including customer software and support, will triple in size from just under Ecu200m in 1992 to about Ecu600m in 1997.

The UK, France and the Netherlands are the most mature EDI markets in Europe although other nations including Austria, Italy and Spain are begining to catch up. Germany lags behind in EDI implementation, arguably because of its highly restrictive telecommunications regime.

Among the service providers in Europe the market leaders are IBM and General Electric Information Services (Geis) which both have pan-European networks. Geis, which recently acquired the 50 per cent of INS which it did not already own, has about 35 per cent of the fragmented European market.

In the UK, standards are not a big issue, but outside Britain most domestic EDI traffic has been based on industry-specific or proprietary application protocols. According to one estimate, there are 26 different versions of standards in the world, including 15 in Japanese. However, most new user-communities are basing their services on an international standard called Edifact – and many existing communities using proprietary application protocols are moving towards Edifact.

By 1997, Ovum predicts that 90 per cent of EDI traffic in Europe will be based on the Edifact standard, compared with less than 50 per cent last year.

In the UK where there are an estimated 10,000 EDI users, the market is dominated by INS which was jointly owned by Geis and ICL until recently when Geis bought out its partner – a move which industry analysts suggest signals the start of consolidation and internationalisation of the EDI market. "We are experiencing very rapid growth in terms of documents," says Mr Thorpe.

INS provides three main EDI "communities," INS-Tradanet, the main service for retailers and their suppliers, Brokernet for the insurance sector and Fleetnet for the fleet leasing-management sector. The biggest, INS-Tradanet, handles more than 6m documents a month for customers which include most of the large high street retailers and their suppliers.

Mr Thorpe says that companies which have implemented an electronic trading strategy are moving forward in two distinct ways. First, they are adding additional document types, second they are reaching further and further down the supply-customer chain.

Nevertheless, there is still plenty of room for growth since research suggests that even among those companies which have signed up for EDI only a small percentage are trading with more than 100 companies and many are trading with fewer than 10.

CASE STUDY

A pioneer in the DIY community

In the highly competitive market for do-it-yourself in the UK, retailers are continually looking to improve customer services while maintaining tight margins and reducing operational costs.

Wickes, the timber, building materials and home improvement products group, turned to International Network Services in 1986 for a system which would enhance its business processes and practices. Since then Wickes has become a pioneer of EDI in the DIY community.

"EDI was a natural progression for Wickes, complementing sophisticated sales and order processing applications already in use across the company," says Mr Andrew Hennell, financial accounts controller.

"Using INS-Tradernet, trading electronically has now become an essential element of the company's IT processes."

He says the benefits of electronic trading were immediate. "Not only is it far quicker than traditional paper-based ordering methods, it is also more accurate. Reduced order lead times mean we can ensure that shelves are neither empty of popular brands nor overstocked with lines that sell slowly."

Working alongside INS, Wickes initially approached several of its larger volume suppliers to pilot the receipt of electronic orders. This was followed by a progressive roll-out across the supplier base.

Wickes presently sends more than 10,000 electronic orders a month via the INS EDI service to more than three-quarters of its suppliers. Order information from the retail outlets is collected daily and consolidated centrally on a PC system at Wickes' computer centre. Using INS' PC-based software, Intercept-Plus, orders are transmitted overnight to suppliers via INS-Tradernet, ready for collection and processing the next morning.

Using EDI, suppliers can process orders much more quickly and efficiently, especially if the order data is passed directly into the supplier's sales order processing system.

By fully integrating EDI with in-house systems, the paper flow is dramatically reduced and the need to re-key information is eliminated.

Keen to extend its electronic trading, Wickes has also developed an in-house invoice matching system. Invoice data is received and processed on an IBM AS-400 system using INS' Intercept-400 software. It is then passed into Wickes' in-house invoice processing application where it is matched for errors and finally checked against the original order.

Wickes receives about 60 per cent of its invoices electronically. Mr Hennell believes electronic trading speeds up the invoice cycle by as much as seven days compared to traditional methods. Early receipt of invoices means problems and mismatches can be addressed, saving time and resources and enabling prompt payment for suppliers.

Recognising that not all suppliers have the resources to integrate EDI with their in-house systems Wickes commissioned INS to produce a PC-based application system which enables users to generate invoices simply and accurately from order data received.

"The hardest part, always, is convincing suppliers that electronic commerce is a worthwhile investment," says Mr Hennell. "On the whole, our suppliers have been very co-operative... however there are still a handful of our smaller suppliers who remain concerned by the initial commitment."

In order to make EDI more accessible to the smaller volume and expense account suppliers – those who provide services as opposed to resaleable stock – INS provided Wickes with a unique trading community called WickesNet last year which is based on INS-Tradernet but offers suppliers a low-cost, tailored EDI solution for invoicing and electronic mail.

Wickes has recently linked its internal financial network to the INS-Mail service, enabling store and head office employees to exchange textual information, such as order-invoice queries and general memos on a person-to-person level with customers and suppliers.

"E-Mail brings numerous benefits over traditional communications methods such as facsimile, post and telephone," says Mr Hennell. "It is instantaneous, cost-effective and since it eliminates the need for paper, is environmentally friendlier, too."

Michael Dempsey reports on health and safety issues

Raft of EC regulations

The closest most people come to practical ergonomics is a disembodied voice telling airline passengers to adjust their seat back to the upright position. But adapting office equipment to suit employees' health is fast becoming an urgent issue.

The proliferation of computer workstations, demanding visual contact with a flickering screen and myriad keystrokes, has provoked a raft of EC health and safety regulations. Roger Wesson is a partner in City of London law firm Allison & Humphreys. Wesson, specialising in employment law, forsees serious problems arising from the complacency of UK companies about ergonomics.

"Health and safety is no longer an issue you can leave to the office administrator. It requires consideration at the board level. The EC display screen equipment regulations are just as important as the hard hat rules on a building site. The consequences of non-compliance can be very serious."

The EC regulations recommend that employers fill out a detailed questionnaire addressing such areas as screen glare, keyboard height, adjustable seating and availability of footrests. The form even extends to the suitability of software in attempting to assess screen displays.

While EC recommendations may seem remote, they are tied to very real problems. Wesson reels off the successful actions against employers involving computer-related ailments. Work-related upper limb disorders, more commonly known as Repetitive Strain Injury (RSI), harm both sufferer and employer. The Inland Revenue has paid £79,000 in an out-of-court settlement to a female employee. It accepted that she was under pressure to input data at an hourly rate with insufficient breaks while her desk and chair were incorrectly positioned. The resulting injury to her arms forced her to retire.

EC Directive 90/270 sets out minimum safety requirements for display screen work. For example, screens should be flicker-free and easily adjustable. These standards must apply to equipment installed after January 1993. For workstations in use before that date employers have until December 1996 to implement changes. Sanctions against non-compliance include fines of up to £20,000 or imprisonment.

Successful prosecution can mean an individual disqualified from being a director. One such case in the UK has already seen a director disqualified for two years and fined £5,000. There are 6.5m workstations in the UK. Surely bringing them all up to scratch will be an enormous undertaking?

The Health and Safety Executive claims that meeting these standards will cost about £42 per workstation. This price should be offset against a reduction in sick leave provoked by poor ergonomics.

Mike Lloyd, managing director of Sit Smart, a Guildford-based ergonomics consultancy, points out that back pain, occasioned by poor seating, is eating away at productivity. The number of man days lost through back pain leapt from 62m in 1992 to 83m in 1993. "The microcomputer is causing massive back problems", says Lloyd. "If I can stop a guy being off sick for two weeks, that will cover the price of new seating."


Derek Oliver: watching ergonomic and environmental factors

CASE STUDY

Maintaining a Victorian tradition

The village of Saltaire in Yorkshire was created by Titus Salt – a Victorian philanthropic entrepreneur who believed that profit could be attained without sacrificing good working conditions.

Derek Oliver, design manager at Pace Micro Communications, likes to think his company maintains the pursuit of success in the tradition of Salt.

Pace is a £130m turnover company designing and manufacturing satellite TV signal decoders and computer communications modems. Its headquarters are in a textile mill built for Salt's empire in 1852. Pace's 150-strong design team are located here, and a lot of thought has gone into their immediate surroundings.

Most of these staff are engaged in Computer Aided Design (Cad), and spend hours working at a terminal. Oliver hopes to get the most out of this time by eliminating any cause for stress.

"Wherever possible we have installed anti-glare screens. The cheaper variety only stop reflection, but we've gone for a high specification that shield the user from radiation."

Wrist supports may sound flippant, but Oliver is a convert. "The angle of the wrist when working on a standard keyboard can be quite steep. That tends to put the wrist in quite a stressful position. Wrist supports mean it's just a step up, a gradual run from the desk surface to the keyboard. They are very very simple, but they have a significant effect."

All fixed seating has been replaced by adjustable chairs. But according to Oliver it is an original Victorian feature that does the most to promote a productive working environment.

"The biggest plus point is the room we work in. It's large, open plan and has lots of natural daylight. Everybody feels the benefit." Pace has turned its back on contemporary office design. "We could put a lot of screening in place and lower the ceiling. But we've kept the original dimensions."

On a superficial basis, this is not an economical policy. "From a heating point of view it's not the most efficient way to do things. A purpose-built office would be cheaper to run. But our workforce are happy with it, and that cuts away at indirect stress."

The benefits are difficult to quantify, but Pace has seen a difference. "We don't have a great deal of absenteeism on grounds of illness. People do take less time off."

Oliver is convinced that watching ergonomic and environmental factors has kept his company ahead. "It takes very little cost and effort to improve the working environment tenfold. For a very small investment you can reap a lot in terms of attitude to work. That in turn goes into getting a better product, because everyone is pulling the same way."

One measure of Pace's success is the fact that it manufactures electronic goods in the UK for export to the Far East. Exports to Asia contributed to 1.2m satellite decoding systems sold last year. So a well-planned workplace can contribute to survival in the most competitive of markets.

Good project management still relies on tried and tested principles

Surprises are inevitable

Building software applications is a little like carpentry, writes Philip Manchester. Although the principles of shaping wood are universal, every piece of wood is unique and the craft is in learning how to cope with the unexpected.

Software development follows the same process and no matter how concise the development method is, there are bound to be surprises. Modern project management techniques aim to keep surprises to the minimum and be ready with contingency plans if something goes wrong.

Over the past 30 years, software developers have found a variety of ways to manage the construction of software. From the rigorous "methodologies" and computer-aided design tools to management and project reporting systems, there is no shortage of tools for the job. But despite the availability of the tools, good project management still relies on tried and tested principles:

"There are plenty of tools around but it is hard to stop people being a slave to them. We use the tools to gather information and see what works and what doesn't. But there is no substitute for experience and skills," says Mr John Millar, technical director of Logica UK.

"The key to successful project engineering is to improve the literacy of our staff and instil discipline."

Logica's approach to managing large-scale projects aims to take the best management practice and combine it with good automated tools:

"We focus on what we call micro methods. We have a framework which covers the life-cycle of the project and make use of tools where necessary," Mr Millar explains.

However, he is, like many others, sceptical about an overly formal approach to managing software development projects:

"At the end of the 1980s there was a lot of talk about methodologies solving development problems. I think of them as the 'Lose fat while sleeping' approach and I don't believe that it works. Some parts of the methodology can be useful – but I think it naive to see a simple way to solve the problem," Mr Millar says.

He goes on to say that Structured Systems Analysis and Design Method (SSADM), one of the more successful methodologies, at least brought the users of the system into the design approach.

"SSADM showed how important it was to get users involved and it has turned out to be a useful way to describe systems."

Other software developers are also finding user input during the project design phase to be a significant step forward. Mr Keith Turner, a divisional director software developer for Hoskyns Group, sees this as an inevitable result of a change in the way software is built:

"Software development is more iterative now. Users have to be involved because you need some form of open relationship with the customer. The more you can work as a team, the more likely you are to be successful," says Mr Turner.

"Tools and methods can help but they cannot compensate for incompetence. You must get the people right and the balance of team skills."

Software developer Keith Turner: 'Users have to be involved'

CASE STUDY

Large-scale development project

Large-scale software development projects need especially rigorous project management. When N. V. Nederlandse Gasunie, the Dutch gas distribution utility, decided to update its operational control systems in the mid-1980s, it recognised that it would need expert help.

"The project was about 170 man years and had over 100 people working together to build the new system," says Mr Theo Bakker, a principal consultant at Gasunie.

"Although it is not the most complex system it was a very big project and needed tight management."

Gasunie buys and distributes gas throughout the Netherlands and exports it to other European countries such as Germany and Italy. It uses automated equipment to monitor and control operations on the national distribution network.

The monitoring equipment records the temperature, pressure and flow of gas through the pipelines and passes it to a computer network, controlled from a central computer in Groningen. The data is passed to a Supervisory Control and Data Acquisition (SCADA) system which keeps track of the gas network and issues commands to alter its state.

The new system had to replace both of these systems and bring them together with two others: a system to monitor and administrate export contracts and one to simulate the gas network for modelling purposes.

Gasunie turned to software company Logica to help construct the new system and to use its experience of managing large-scale projects.

"Logica has a good record in project management and this was one of the main reasons for taking them on. We split the responsibility for the project with Logica taking about 70 per cent of the load," says Mr Bakker.

He praises Logica's skills highly:

"They have a very structured approach with good quality assurance procedures and controls. They have very good reporting mechanisms and always kept us up to date and showed they know how to manage complex projects with a technically-high standard. But most of all they have good discipline. I have worked with many software companies that have the methods and the tools but they don't have the discipline."

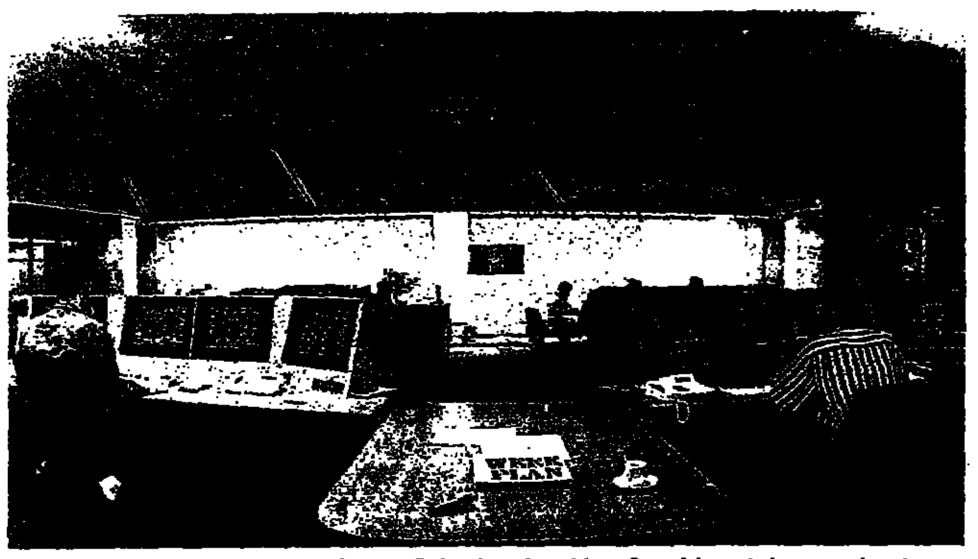
The new system took over three years to build and was finally commissioned in December 1992 to the satisfaction of the user. Mr Bakker says the system is easy to maintain and very flexible:

"We decided to take on the maintenance ourselves. We had four people on the development project team specifically to build up knowledge of the system and do maintenance. Logica did it for the first year and now we do it all ourselves."

Despite the undoubted success of the Gasunie project, it was not perfect, however. Mr Bakker notes: "Logica failed to deliver it in the specified time – there was a delay of seven or eight months".

Mr Martin Ashton, the project leader from Logica, points out that the delay was at the beginning of the project and that it was known about well in advance:

"It is such a big system and, although we new the design integration would require a lot of work, we underestimated how long it would take. We managed to compensate by delivering some parts of the system earlier than scheduled," he says.



The movement of gas in the pipelines is controlled and monitored from Gasunie's central command post

Paul Taylor on portable computers

Fast-growing sector

Sales of portable computers have been one of the fastest growing segments of the personal computer market over the past four years. The "notebook" computer, in particular, has become an important business tool and the de facto standard for portable computing in the 1990s.

Advances in technology have enabled PC manufacturers to pack most if not all of the functionality of a desktop PC into an A4-sized notebook package priced at £1,500 or less. Today's notebook PCs weigh about 6lb, are mostly powered by fast Intel 486 processors and have large hard disks, colour screens and credit-card sized PCMICA expansion slots.

The main advances in recent years have included "dual-scan" colour displays making colour notebook PCs more affordable and easier to use with programmes such as Microsoft's Windows.

In addition, battery life has been extended through the use of low-power chips, power-saving features and improved battery technology. For example, Dell Computer's new Latitude range includes an innovative dual Nickel Metal Hydride (NiMH) battery option which effectively doubles battery life to a maximum 13 hours.

However, as Jeffrey Goldberg, a Dataquest consultant, points out, relatively few portable PC users actually use their machines while on the move and can therefore usually plug their portables into a wall power outlet making battery life less of an issue.

There is little doubt that business usage of portable computers is increasing. When Dataquest asked corporate computer purchasing managers across Europe whether any of their employees used portable PCs, 70 per cent replied "yes" with the UK and Germany showing the highest uptake. The three largest groups of users were top executives and finance staff; sales and marketing; and engineering and maintenance.

When respondents were asked whether employees were able to use their portable PCs or data terminals for communicating with the office while travelling, 32.5 per cent claimed at least some of their employees made use of such a facility.

Most of these employees made their connection over the public switched telephone network although a quarter said they used cellular telephone connections, 18.5 per cent used private or public mobile radio and a similar proportion said they used mobile packet data services.

In the study, the most important uses listed for mobile data communications were sending and receiving electronic mail, sending and receiving facsimiles, transfering files, accessing purchase and inventory databases and accessing customer and invoicing databases.

According to Dataquest, portable computer sales in Europe were worth $3.6bn last year and represented 17.4 per cent of the total European PC market. In terms of unit shipments, portables represented 14.5 per cent of the 10.3m PCs shipped in 1993.

Growth of the portable PC market has flattened since the "boom" years between 1990 and 1992. Nevertheless, Dataquest predicts that between 1993 and 1998 portable computer sales will grow by a compound annual rate of 23.4 per cent, compared with 8.4 per cent for desktop PCs.

Within the portable PC segment, notebook PC sales represent the lion's share of the market and sales grew by just over 18 per cent between 1992 and 1993.

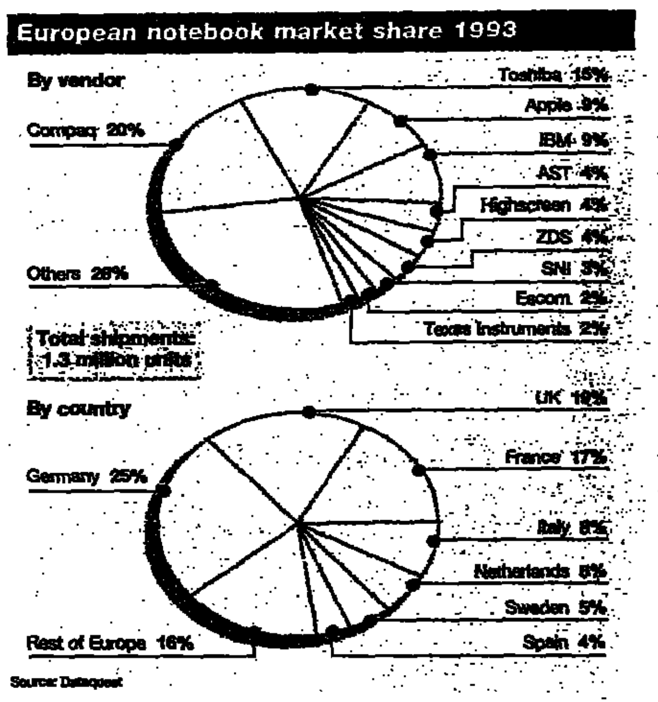
Slower growth in the notebook PC market in Europe has led to intensified competition between manufacturers and to considerable consolidation. In 1991, the top four vendors represented 52.4 per cent of total sales, but by 1993 this had risen to just under 60 per cent.

Shipments of sub-notebook portable PCs – typically weighing less than 4lb – are also growing quickly according to Dataquest, although with continued miniaturisation the distinction between notebook and sub-notebook PCs is likely to blur over time. At the other end of the scale, older style laptop PCs – the second generation of portable PCs after "transportables" – are all but defunct. Perhaps the most disappointing segment of the portable PC market, after an initial flurry, has been the market for organisers, personal digital assistants (PDAs) and other hand-held computing devices.

Although some expandable organisers, such as Psion's Series 3, have been well received, Mr Golberg argues that wider acceptance of hand-held PCs is dependent on the widespread availability of reasonably-priced communications, in particular wireless networking, and on rationalisation among the many competing platforms.

In the meantime, however, some hand-held computing devices, particularly those with wireless communication features built in, have found niches in vertical markets – for example, for meter readers, traffic wardens and the emergency services.

European notebook market share 1993



Source: Dataquest

CASE STUDY

Innovative solution for couriers

When the so-called "ring of steel" was thrown around the City of London in 1993 to prevent terrorist attacks it made it increasingly difficult for courier companies to use vehicles for delivery and collection.

Federal Express, a market leader on the busy transatlantic route, came up with an innovative solution – it set up a team of 15 City Foot Couriers and equipped them with the latest data communications hand-held computers from Psion, operating over the Ram packet-switched mobile data network.

The Psion HC R400 hand-held radio data terminals combine a MS-dos compatible computer and a radio packet modem in a single rugged battery-powered package weighing less than 1kg and small enough to fit in a pocket.

The process of delivering and collecting packages is controlled by a dispatch centre which sends messages to individual couriers. By scrolling through a series of menus on the hand-held devide, couriers select an appropriate response, informing the centre that the message has been received and will be acted upon.

Federal Express has its own private mobile radio system for its fleet-based operations, but this did not offer the same facility for data transmission and has limited coverage.

Mr Graham Richie, manager for systems development, explained: "The dispatch and delivery system (Dads) we use for vehicle operations is PMR-based and requires a licence to operate. It is also expensive to maintain.

"A large number of the banks, broking houses and blue chip companies in the area enclosed by the 'ring of steel' are our customers. To maintain and improve our service to them we needed a foot courier service with a more flexible communications operation.

"The expense involved in extending the PMR system was prohibitive; the Ram Mobile Data solution was the most cost-effective, reliable option and an important enhancement to our intercontinental service."

Federal Express couriers carry computers from Psion, operating over the Ram packet-switched mobile data network

Federal Express tested the mobile data solution over several months using separate hand-held computers and modems. As soon as the Psion HC R400 integrated unit was available in August, the decision to roll-out was taken.

Because the operations manager can keep tabs on all couriers, he can monitor workloads and change schedules to maximise the number of deliveries each individual can make. Federal Express expects to increase productivity with some couriers making 50-60 drops before midday.

Customers benefit from faster, more accurate information on the status of their consignments – once a parcel has been delivered the courier can key proof of delivery into the Psion which then links to the central system to update the sender.

Psion and Federal Express worked closely together to integrate the mobile terminals with the host application using Psion's generic application programming interface (API), Universal Radio Interface (URI), which handles the communications over the Ram network.

URI "talks" to the Dads host from a PC gateway and to the mobile applications running on the Psion devices. It manages the "life" of a message, alerting the dispatcher if customer service is going to fall outside promised response times.

The success of the City implementation has prompted Federal Express to investigate the possibility of implementing the same system in its London West End operations, which are experiencing increasing traffic flow problems.